naturally richer

A Natural Capital Investment Strategy for Surrey
Vision

a thriving, resilient and attractive county providing natural benefits to all who live and work here.

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Foreword

There is no doubt that the future economic and human success of Surrey will be heavily dependent on a healthy natural environment. But today this is far from a given. The first step is to recognise the full value that Surrey’s exceptional natural assets bring in creating prosperity and wellbeing for its citizens and businesses.

This visionary report could not be more timely, and shows decision makers the power of clearly setting and using strategic criteria for natural capital investment. Following the Natural Capital Committee’s (NCC’s) third report, the government has recently committed to an ambitious 25 year plan to create a healthy natural economy, and relieve the increasing pressures on the natural world that surrounds us.

But delivery must be locally tailored and driven. This investment strategy gives a clear signal on how Surrey can maximise benefit from targeting the right opportunities to improve its natural wealth.

This report can only enhance Surrey Nature Partnership’s leadership in showing how Local Nature Partnerships (LNPs) should be at the heart of economic planning, public health programmes and community action. However government must also provide tangible support to such integrated thinking when it completes its current review of LNPs, to help implement and replicate this vision.

This strategy marks a first step and next year’s action plan can only deliver if all play their part. There is no reason why such as land development, business investment and healthcare spending cannot all contribute to enhancement of natural capital (e.g. through biodiversity offsetting, increased worker productivity and reduced acute admissions). Building a framework of understanding and then agreeing core actions to deliver is absolutely right.

This Natural Capital Investment Strategy should be the first of many around the country. Surrey has always been at the forefront of innovation and I hope that this tradition will continue with finding new ways to enhance its natural environment. This can only make Surrey more healthy, productive and prosperous for its current citizens and businesses, and more attractive to those who are thinking of investing more of their lives or businesses in the County. Unlocking the natural economic potential in Surrey will make it a better place to be in all respects.

Peter Young

Peter is a Founding Director of Aldersgate Group, chair of the Business Interest Group for the Valuing Nature Programme, a member of the recent BIS/DECC/Defra Green Economy Council, the Ecosystems Markets Task Force and Defra’s Regulatory Challenge Panel. He is a Trustee of The Wildlife Trusts, chair of the Industrial Advisory Panel for the School of Energy, Environment and Agrifood at Cranfield University, and on the Advisory Board of the School of Business and Management at Queen Mary College, London.

Contents

INTRODUCTION ......................................................................................................................... 4
THE VALUE OF NATURAL CAPITAL ............................................................................................. 5
What is Natural Capital ............................................................................................................. 5
NATURAL CAPITAL IN SURREY ................................................................................................... 6
Status and pressures ................................................................................................................ 6
Benefits .......................................................................................................................................... 7
Setting priorities ...................................................................................................................... 7
TAKING THE RIGHT ACTION ...................................................................................................... 9
OUR VISION .................................................................................................................................. 9
OUR STRATEGIC PRIORITIES .................................................................................................. 9
OUR INVESTMENT APPROACH AND PRINCIPLES ................................................................ 9
MECHANISMS ............................................................................................................................... 10
MAKING IT HAPPEN .................................................................................................................. 11
APPENDIX
Introduction

Those who live, work, visit or do business in Surrey, draw enormous and varied benefits and value from the rich and diverse natural environment of the county. However, this value is poorly understood and often goes unrecognised. Too frequently it is ignored in important development and economic decisions. The failure to recognise natural capital value limits personal and social wellbeing and future economic growth. A naturally richer Surrey needs investment to secure the continued provision of these benefits; this strategy demonstrates the approach required.

Understanding natural capital is a method through which we can work to ensure that the true value of the natural environment, and the benefits it provides us, can begin to be recognised. Recognition isn’t simply important for its own sake, it’s vital that we take action now to protect the natural environment and ensure that it continues to provide us with vital benefits long into the future.

This document has been developed as the beginning of an important initiative – to plan and coordinate collective investment in the natural environment of Surrey to:

• ensure that the natural environment continues to provide multiple benefits into the future.
• future-proof the county against current and future risks such as climate change and extreme weather events.
• help build a prosperous and secure future for everyone who lives and works in Surrey.
• demonstrate that an innovative approach to natural capital at the local level has to happen.

This document provides a strategic basis to define the direction of travel and the vision and direction for a wider programme of work. It should be viewed as a starting point for defining what we aim to accomplish and how we will achieve it. The recognition of natural capital as a cornerstone of economic prosperity in Surrey was established in the Surrey Connects Smart Economic Growth Strategy1.

It is a call for action to help convene and galvanise the broad coalition of actors and organisations we will need to fulfil our vision.

Investing in natural capital is an investment in nature, but it is crucial to recognise that this is also an investment for our benefit -

... it is an investment in clean water, green spaces and fresh air
... it is an investment in jobs and prosperity
... it is an investment in health and wellbeing
... it is an investment in our future and the future of our children...

We are learning to understand and quantify the benefits we get from nature, to treat rivers, trees and bees as national assets just as much as infrastructure like the M25, Manchester airport or the Forth rail bridge. For example, by quantifying what trees do to provide enjoyment for people, filter pollution and store carbon, we can see they are worth at least 15 times their value as timber.


1http://www.surreyconnects.com/ewcommon/tools/download.ashx?docId=125
The Value of Natural Capital

We depend upon our environment for food, clean air and water and a hospitable climate. We draw enormous benefits from the natural environment, whether we live in a technically and economically advanced society or as hunter gatherers in the rainforest.

Our development of technology and advanced market economies has distanced us from our historic understanding of these crucial dependencies.

Natural capital is a concept to help us re-balance our understanding of our connections and reliance upon nature and to help ensure that the true value of the environment is recognised in economic decision making. The term refers to stocks of natural assets which give rise to a range of benefits or services which support life for humans and other species in our ecosystem.

If we over exploit this capital we are running up a debt and reducing the ability and capacity of the environment to continue to provide services and benefits into the future.

To date many development, economic and commercial decisions have been made without adequate recognition of the impacts they may have upon the environment. Accounting for natural capital means recognising the range of values that nature provides and including this in decision making.

Different assessments have been made of the financial value of natural capital. For example, it has been estimated that conserving global forests to avoid greenhouse gas emissions might be worth US$3.7 trillion and that the contribution of insect pollinators to agricultural output is worth in the region of US$ 190 billion a year globally and £690 million in the UK alone.

Taking a natural capital approach is endorsed by government. The Government’s Natural Capital Committee has worked hard since 2012 to assess the state of natural capital, to develop accounting processes and identify priorities for action. This work built upon the 2011 Natural Environment White Paper which laid out an ambitious vision for the protection and enhancement of nature, to strengthen the connections between people, the economy and nature. More recently the Government has responded to the Natural Capital Committee’s reports agreeing with 8 of the 9 key recommendations and the need to produce a 25 year plan for a healthy natural economy.

What is Natural Capital?

Natural capital refers to the elements of nature that produce value (directly and indirectly) to people, such as the stock of forests, rivers, land, minerals and oceans.

It includes the living aspects of nature (such as fish stocks) as well as the non-living aspects (such as minerals and energy resources). Natural capital underpins all other types of capital (manufactured, human and social) and is the foundation on which our economy, society and prosperity is built.

By combining different forms of capital, we are able to enjoy a huge variety of benefits; ranging from the food we eat and water we consume in our homes to outdoor experiences and improved health to name but a few.

If properly measured and managed, natural capital (the living aspects at least) can continue to provide these benefits indefinitely. The problem is that whilst some of the benefits can be measured and are clear to see (for example, timber has a market price), most are difficult to quantify and are often invisible in our day to day lives despite being critical to our wellbeing.

Source: Natural Capital Committee
http://www.naturalcapitalcommittee.org/

In parallel leading companies and NGOs have also recognised the importance of natural capital and various initiatives and alliances have been built to develop the concept and its implementation in practice, most notably the Natural Capital Coalition.

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Some key benefits of a Natural Capital Approach

Beyond supporting the provision of clean air and water and the ability to grow food, the full extent to which nature contributes to health and wellbeing is currently only partly understood. However, it’s clear that the benefits can be broadly divided into two main groups:

Positive contribution – living in or near accessible green spaces reduces anxiety and improves health and (spiritual) wellbeing. Together with providing opportunities for outdoor exercise, spending time in ‘greener’ areas reduces stress, lowers morbidity and improves mental health. There is an intrinsic benefit that interaction with nature provides to our spiritual, mental and physical wellbeing. A healthy natural environment provides the backdrop to support the attraction of businesses – inward investment, and assists in business and employee retention.

Mitigation – trees and other vegetation can mitigate and offset the harmful effects of air pollution and have a particularly significant effect in densely populated areas and areas of concentrated pollution (such as major roads). Trees capture carbon and provide valuable shade and cooling in hot weather and in urban areas increase property values. Together with other vegetation types they also help mitigate and moderate the impacts of flooding.

Natural Capital in Surrey

Status and pressures

Surrey is the most wooded (over 24% by area) county in England, and has a rich and important natural heritage. While woodland is highly prominent, the county is of international importance for its heathland and has widespread and rich wetland habitats too. The Surrey Hills Area of Outstanding Natural Beauty (AONB) covers nearly a quarter of the county, offers some of South East England’s most beautiful countryside and contributes to a diverse and attractive landscape.

However, in common with the rest of the UK (this is a global issue too) the natural environment and biodiversity of the county has declined severely over the last 50 years and is under continued threat. A combination of multiple pressures from development, pollution, invasive species, agricultural land use changes and a changing climate mean that many species and the habitats they live in are suffering long-term declines. While comprehensive audit data on the quality and quantity of ‘natural’ habitats is lacking we can gain a window on their condition via monitoring of the best sites in Surrey. SSSI (Sites of Special Scientific Interest) data suggest that only c.45% of sites assessed are in a ‘Favourable Condition’, while a similar proportion are in an ‘Unfavourable’ (but improving) condition. While this suggests progress in the right direction it is from a position of weakness for much of what should be our highest value habitats. While a different measure is used for county-level SNCIs (Sites of Nature Conservation Interest) surveys suggest that only c.47% are under positive management.

Fragmentation can be a major problem if development or land use changes split or reduce areas of habitat limiting the space available for species to reproduce, disperse or migrate. This has been recognised nationally and locally together with a pressing need to build larger, better connected and more resilient ecological networks across the landscape. Climate change further adds to the pressures and the future need for species to be able to move to seek suitable long-term living conditions.

Surrey is one of the major economic drivers to the success of UK plc with a GVA in excess of £35 billion per annum. This creates a pressure to maintain the balance between natural, physical, human and social capital. This strategy articulates the need to invest in natural capital as a fundamental element to ensuring this balance.

“Nature = societal need = wealth creation”
“My children would have a future”
“Natural capital is just part of normal”

Surrey Business Leaders Workshop on Natural Capital October 20/10/14.
Natural Capital providing solutions

Providing the essentials of life, the natural environment underpins all human activity and wellbeing. It can also provide some important specific benefits.

Natural ‘green’ environments provide spaces for fresh air, exercise and relaxation. Spending time in such places appears to reduce stress and anxiety and improve mental health. This is important for businesses and their employees in achieving improved levels of productivity. The Workplace Wellbeing Charter provides a framework to support this12. It even appears to speed recovery from illness13. Trees and other vegetation intercept air pollution and reduce ambient noise. The increase in sedentary lifestyles and increasing levels of processed carbohydrates, sugar and fat in food have contributed to weight problems. In Surrey, 60.8% of adults are overweight or obese14. Although Surrey has beautiful countryside, there is a shortage of accessible green spaces close to the major towns.

Natural capital can also provide solutions to mitigate the impacts of two significant issues in Surrey; for example air pollution and flooding.

Particulate air pollution is a significant issue in Surrey, especially to the north of the county with the influence of higher traffic volumes and density. Short term exposure to high levels is harmful to health – as is long term exposure to lower levels. Public Health England has investigated the local mortality burdens associated with particulate air pollution in 2014, calculating there are 527 excess deaths a year in Surrey due to such pollution and 5337 associated life years lost.

The winter of 2012/3 highlighted the problems of flooding in Surrey and beyond. The cost of repairs to flood damaged roads alone exceeded £12 million16. While this was partly a result of more extreme weather (itself a symptom of climate change), flooding is more of a land use than a drainage issue. Flood risk can be mitigated by restoring wetlands upstream of settlements and wooded areas help slow the path of rainfall and attenuate flooding episodes.

12 http://www.healthysurrey.org.uk/your-health/workplace-wellbeing-charter/
Setting priorities

The Natural Capital Committee (NCC) has stated\textsuperscript{17}:

\textit{Carefully planned investments in natural capital, targeted at the best locations, will deliver significant value for money and generate large economic returns. These are competitive with the returns generated by more traditional infrastructure investments.}

As recommended by the Natural Capital Committee, Surrey Nature Partnership (SyNP) believe priorities should be set to invest in natural capital where it is under most threat, where benefits arising are under most threat and where additional benefits can be best realised.

A study investigating the value of natural capital in Surrey\textsuperscript{18} suggested that significant benefits arose from:

- Woodland – for recreation, air pollution mitigation, carbon sequestration, flood alleviation and mitigation and access to greenspace.

This parallels the NCC’s national work which found a strong economic case for:

- Woodland planting – located near towns can generate significant societal benefits.
- Wetland creation – upstream of towns, avoiding prime agricultural land, benefit cost ratios of 3:1 up to 9:1 are possible.

In addition the NCC also expects high return investment opportunities in:

- Urban Greenspaces
- Urban air quality
- Improved environmental performance of farming.

\textbf{On this basis SyNP recommends these form the initial priorities for our 2016 – 2021 Investment Plan which will help drive investment.}

Case study: Nutfield Marsh Project

In the east of Surrey, this wetland restoration project demonstrates the mutual benefits available when a range of partners work together with the natural environment. By engaging multiple partners from commercial, regulatory, local authority, Non-Governmental Organisations, volunteer groups and community sectors the project has successfully created four wetland nature reserves and thereby delivered:

- Restoration of former mineral workings
- Flood alleviation for nearby Redhill
- Attractive publicly accessible greenspace with health and wellbeing benefits
- Biodiversity conservation and habitat enhancement
- Opportunities for business enterprise and development in the leisure industry.

\textsuperscript{17} Natural Capital Committee 2015. The State of Natural Capital: Protecting and Improving Natural Capital for Prosperity and Wellbeing Third report to the Economic Affairs Committee 73p. Quote p3.

\textsuperscript{18} Eftec 2015. Surrey Natural Capital Analysis. Report to Surrey Nature Partnership
Taking the right action

Our Vision...
A thriving, resilient and attractive county providing natural benefits to all who live and work here.

Our strategic priorities
In response to the pressures upon natural capital and in order to achieve our vision, we have developed the following strategic priorities. These reflect and build upon the national priorities recommended by the Natural Capital Committee, but importantly do so within the context for Surrey.

Sustainable land management
- Halt losses of natural capital – we will strive to halt net loss and degradation across the county.
- Enhance and expand – we will seek net gains in the quality and quantity of natural capital through positive management, habitat restoration and re-creation.

Smart economic growth
- Grow Surrey’s intelligent, networked, innovative economy as the best place in the UK to do business in a sustainable location.
- Supporting the creation of jobs – we will promote a healthy attractive environment which enhances the desirability of Surrey for business.
- Developing skills – we will support the development of skills to enhance natural capital investment and management as part of a wider approach to sustainable growth.
- New space for business and local government – we will support the development of new business models and opportunities to provide multiple partnership benefits.

Health, wellbeing and quality of life
- We aim to bring more benefits - to more people, where they live and work. We will target the reduction of risks (for example pollution, flooding) and the enhancement of benefits, improving opportunities for exercise, recreation and mitigating the impacts of climate change.

Our investment approach and principles
Our principles will be used and developed to guide our approach to investment and inform our forthcoming 2016 – 2021 Investment Plan.

Value
- In the past economic decisions have been made without calculating anywhere near the true value of the natural environment. Now we must ensure natural capital is reflected more fully in important plans.

Valuation
- We believe that economic valuations can contribute to powerful arguments for the conservation and enhancement of natural capital and the wider understanding of the real value they provide us.

Risk
- We recognise there are potential risks and opportunity costs for intervening and not intervening, and to consider and balance these while pursuing our vision.

Investment
- To prioritise investments where lasting and multiple benefits are most likely to be achieved and represent the best possible value.

Mechanisms
These are the key means through which we intend to deliver our vision for Surrey’s natural capital, which we will develop as part of the Investment Plan 2016 – 2021.

Building knowledge and understanding
- Pursue the development of wider knowledge and understanding of natural capital and provide effective practical guidance and case studies to support better decision making; monitoring the effectiveness of this approach.

Developing influence
- To pursue our objectives directly where we have the resources and control to do so, and to work indirectly through collaboration and by influencing the decisions of others to recognise the value that natural capital brings to the people of Surrey.

Developing capability
- Developing a pipeline of investable products; projects and initiatives which streamline the ability of investors to make an informed investment. Working with private, public and third sectors to develop innovative market opportunities and achieve common benefits.

Developing capacity
- Nurturing and enhancing the skills base for key environmental management and related market and non-market activities that contribute to our priorities.
Making it happen

Surrey Nature Partnership will drive the development of a natural capital approach to decision making and investment within Surrey. We will develop a detailed Investment Plan for the period 2016 – 2021. We will publish this in September 2016.

• We will collaborate with stakeholders and partners across the county to engage them in the need to invest in our natural capital, to understand the benefits and risks of acting or not acting. We will seek better decisions for local and national benefit by helping individuals and organisations to understand the economic, social and cultural value of nature and their interactions and impacts upon it.

• We will demonstrate the benefits of integrating a natural capital approach with existing mechanisms thereby increasing effective outcomes for natural capital assets. These include the catchment based approach through the Wey Landscape and River Mole Catchment Partnerships, through environmental land management payments and through policy interventions such as Biodiversity Opportunity Areas within Local Plans and the Surrey Infrastructure Study.

• We will continue to develop the key projects that have been the foundation of this Strategy:
  − Valuing Surrey – we will further develop our understanding of the value of our natural capital assets and how best to invest in them, further developing the use of a natural capital accounting approach.
  − Biodiversity Offsetting – we will continue to explore the use of offsetting as a tool with which to achieve our priorities of halting net loss, and seeking net gains.
  − Business – business use of natural capital is key to success, we will continue to work with businesses to develop new and innovative ways of managing our natural capital assets.
  − Health – we will continue to develop the accessibility of existing greenspaces for recreational and cultural purposes to support the health and well-being of our communities as well as creating new greenspaces in areas of highest need.
  − Research – we will continue to work closely with academic partners on promoting research into the most effective ways of embedding and implementing a natural capital approach.

• We will identify strengths and weaknesses of different funding approaches to ensure the best fit between investment mechanisms and schemes. We will continue to develop our understanding of the most successful business models for natural capital investment in order to replicate them.

• We will develop a pipeline of investable products by bringing together traditional conservation and land management expertise with financial investment expertise. We will create an investment fund to support delivery of strategically identified natural capital investments.

• We will deliver a series of pilot projects which will provide guidance and best practice for replicating different approaches across Surrey.

• We will identify strategically significant investments across Surrey. Initially we will prioritise these within woodland and wetland opportunities as habitats where strong investment cases have already been made.

• We will advocate a Corporate Natural Capital Accounting Approach to the business community across Surrey which includes 250 large companies and 63,000 enterprises.
### STRENGTHS

- **Habitats** – diversity and quality of; woodland, heathland, wetland, chalk grassland

**Policy & Governance** – Strong and coherent existing frameworks; catchment management plans, AONB, Surrey Hills Family, Surrey Countryside and Rural Enterprise Forum, Surrey Future, Surrey Infrastructure Study, Surrey Nature Partnership.

**Companies** with strong associations of place.


**Public Recognition** – residents and visitors of Surrey are proud of its natural assets and will support measures to reduce damage and promote restoration.

### WEAKNESSES

- **Habitat fragmentation** and increasing climate change pressures.

- **Poor Habitat condition** and lack of suitable management for much land.

- **Accessible greenspace** - poor provision, especially in areas of high deprivation.

- **Lack of understanding in local population** – of importance of issues beyond their immediate circle of personal concern.

- **Negative attitudes to change, progress and value in local population.**

### OPPORTUNITIES

- Significant **wealth base** and potential for philanthropy.

- **Innovation**, strong track record and capability.

- **Health improvement** – through enhancing local accessible environments, pollution mitigation.

- **Recreation** – increasing and improving opportunities.

- **Water management improvements**, through innovative management.

- **Biodiversity Offsetting** – enhancing and expanding habitat/quality.

**Funding sources** – Community Infrastructure Levy, Payment for Ecosystem Services, Section 106 Agreements.

- **Jobs**, stemming from natural capital investment and management.

- **Development of markets**; local food & drink, wood, others.

- **Smart specialisation** – ERDF strategic framework for investments in research and innovation.

### THREATS

- **Development pressure**; housing, infrastructure, transport. Relaxation of NPPF would exacerbate pressure.

- **Fragmentation of political cohesion/structures**.

- ‘Unsmart’ economic growth pressures.

- **Water** – insufficient water/stress.

- **Water** – excess water and flooding.

- **Climate change**.

- **Soils**; loss of fertility and carbon storage.

- **Air pollution** – affecting health and vegetation.

- **Legislation** - potential weakening/loss of European legislation on possible Euro exit.

- **Increasing urbanisation and population growth**

### Background and evidence base

Surrey Nature Partnership and partners have conducted and commissioned a number of studies that have informed the development of this strategy. These include:


“Investing in natural capital is an investment in nature, but it is crucial to recognise that this is also an investment for our benefit.”