

# Natural Capital Accounts: Lessons from London Boroughs

26<sup>th</sup> March 2019, Manchester

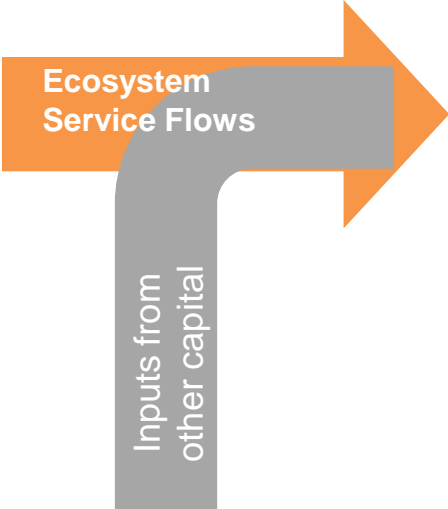
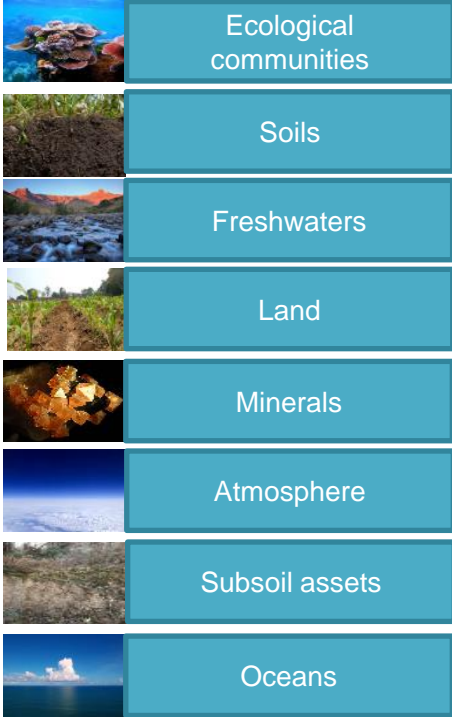
Duncan Royle

# Agenda

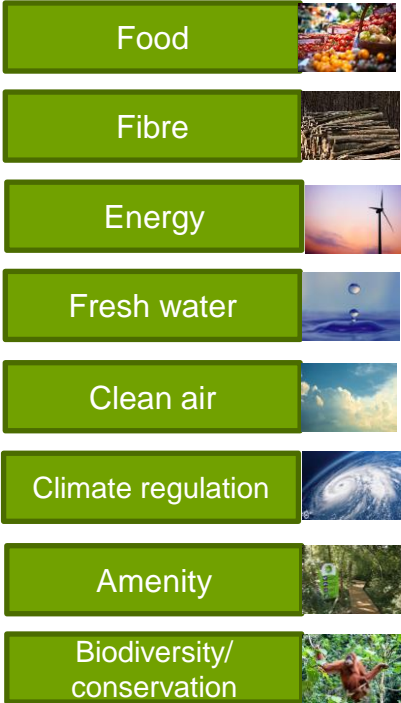
- What is a Natural Capital Accounting?
- Lessons from London Boroughs
- Use of Accounts
- Interactive bit

# What is Natural Capital?

## Natural capital stocks



## Benefit flows



## What is Different About a Natural Capital Approach?

- Understand how ***condition of stock*** influences ***flows*** of benefits
- Forward looking – aims to sustain benefits in the long term
- Dynamic – take external factors like climate change into account more explicitly
- Economic valuation
- Multidisciplinary – environmental, economic, social
- Consideration of dependencies on the environment (e.g. for health)

# Use of Natural Capital Accounts

Accounting is the recording and presentation of information in formats that support effective decision making

Typical applications:

- To support decisions around options for management of natural capital
- To inform strategy with respect to natural capital
- To monitor the condition and value of natural capital overtime
- To communicate on the management and value of natural capital to stakeholders

## Natural Capital Accounting – the Process

Answer to these key questions to....	...generate these natural capital accounting outputs
1. What natural capital assets do we own, manage or depend on?	<b>Natural capital asset register</b>
2. What flows of benefits do these assets produce for us and for the wider society?	<b>A physical flows statement</b>
3. What is the value of the benefits and to whom do they accrue?	<b>A benefit valuation statement</b>
4. What does it cost to maintain the natural capital assets and the flows of benefits?	<b>A schedule of maintenance costs</b>
5. What's the net impact of the business on natural capital?	<b>A natural capital balance sheet</b>

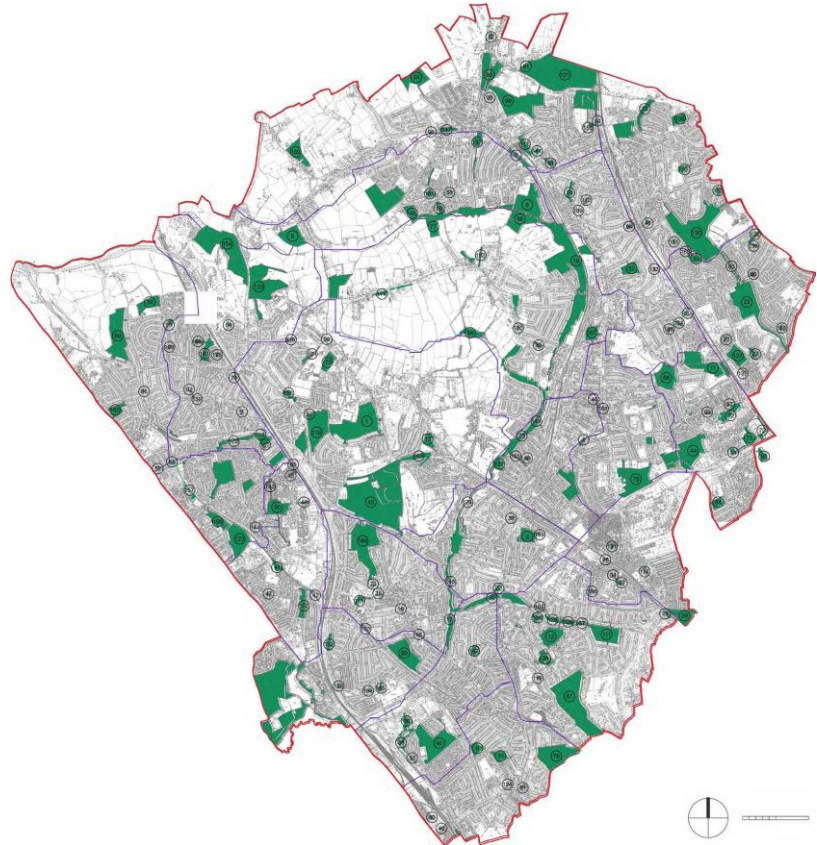
## Example - London Borough of Barnet



Image: London Borough of Barnet -  
Parks & Open Spaces Strategy 2016-26

## Example - London Borough of Barnet

Over 100 parks and open spaces  
within the scope of the study





## Asset Register - Example

Accounting unit	Extent	Good	Fair	Poor
Amenity Grassland	102	48	50	4
Neutral Grassland	52	33	19	-
Shrub & planting	2	-	2	-
Heath	6	4	2	-
Woodland Scrub	6	3	3	-
Woodland	116	80	34	2
Street trees	6	2	4	-
Water body/margins	6	-	4	-
<b>Total area</b>	<b>294</b>	<b>170</b>	<b>118</b>	<b>7</b>
<b>Total (%)</b>		<b>58%</b>	<b>40%</b>	<b>2%</b>

The natural capital asset register holds information of asset extent and condition

## Typical Output – Physical Flows

<b>Benefit</b>	<b>Indicator</b>	<b>Units</b>	<b>Value</b>
Recreation	Total number of visits	Million visits per year	10.6
Health	Population meeting health guidelines	No of people	110,000
Property premium (5 sites only)	Properties within 300m buffer of selected parks.	No. residential properties No. commercial properties	1,876 55
Climate Regulation	Total CO <sub>2</sub> sequestered in woodland and grassland	tCO <sub>2</sub> e/year	1,174

## Typical Output – Monetary Flows

Benefit	Physical Measure	Monetary Value per year	Asset Value*
Recreation	10.6m visits/year	£41.2m/year	£1,313m
Health	110,000 active lifestyle supported	£19.6m/year	£625m
Property Value premium	1,876 residential properties in buffer 55 commercial properties in buffer	- £0.2m/year	£72-£145m £7m
Climate Regulation	1,174 tCO <sub>2</sub> sequestered in woodland and grassland	£0.1m/year	£6m

\*Asset Value is present value of net benefits discounted at Treasury recommended rates (from 3.5% p.a.) in perpetuity

# Natural Capital Maintenance Costs

- Defined as, the costed schedule of future maintenance activities required to sustain natural capital asset baseline condition and output. There should be:
  - A description of the natural capital *maintenance activity required*;
  - Details of the *level of activity required* over time; and
  - *A profile of the costs* incurred, split between those that are legal requirements and other.
- Typical Costs include:
  - Maintenance of parks & open spaces
  - Maintenance of sports grounds
  - Tree management

# Natural Capital Balance Sheet

	Private Value (£'m)	External Value (£'m)	Total (£'m)
Assets	-	1,944	1,944
Liabilities	(134)	-	(134)
<b>Net Natural Capital</b>	<b>(134)</b>	<b>1,944</b>	<b>1,810</b>

# Overview of Results

	<b>Annual Costs (£'m)</b>	<b>Annual Value (£'m)</b>	<b>Net Asset Value* (£'m)</b>
<b>Barnet</b>	4.6	75	1,810
<b>Barking &amp; Dagenham</b>	3.4	13	311
<b>Croydon</b>	2.6	>20	TBD

## Future Funding

**“The council will develop more innovative ways of maintaining its parks and green spaces, including through greater partnerships with community groups and focus on using parks to achieve wider public health priorities for the borough”**

London Borough of Barnet  
Parks and Open Spaces –  
Our Strategy for Barnet 2016-2026

**Success in securing £540k of funding**



## Future Funding

- Charging for some services
- Increasing the number of events and concessions in parks
- Increasing levels of sponsorship in parks
- Increasing the amount of community resources being drawn on for parks
- Increasing the financial contribution made by planning gain funds
- Issuing bonds and increasing commercial financing
- Increasing local taxation
- Capturing the value of environmental contributions made by parks
- Securing more money from funds and trusts.



# Management Options

1. Status quo but manage better
2. Shared public services (across boroughs or services)
3. Third party contract management
4. Social enterprises and partnerships
5. Trusts and foundations
6. Precepts and levies



## Interactive Bit

In small groups consider, what are the main benefits of green open spaces in cities, especially :

1. How valuable are they?
2. In what way?
3. To whom? (the main beneficiaries)
4. Over what time frame?
5. How might these benefits be funded?

# Thank you

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