

Annex B: The Natural Capital Committee: How it has addressed its Terms of Reference

Overview

The Natural Capital Committee (NCC) was established in 2012 for a three year fixed term, with clear Terms of Reference. As it approaches completion, the end of September 2015, this paper looks back on its main activities and outputs so that the Government and others can easily see what has been delivered.

The Committee was given three main Terms of Reference (ToR) and it has achieved all three in full. The work it has undertaken to deliver on these is detailed below.

Terms of Reference

The Committee was asked to do three key things:

- ToR 1. Provide advice on when, where and how natural assets are being used unsustainably;
- ToR 2. Advise the Government on how it should prioritise action to protect and improve natural capital; and
- ToR 3. Advise the Government on research priorities to improve future advice and decisions.

These are very ambitious ToR for a Committee comprising only eight experts (working two days a month), a full time secretariat of four people based in Defra and a limited research budget. Nevertheless the Committee met all three in full. It provided in-depth advice to Government, mainly through its three annual State of Natural Capital reports which are the Committee's primary outputs.

The Committee's main work areas

In addition to its State of Natural Capital reports, the NCC organised its work into a series of themes or work streams. These were directly aligned to its ToR and are outlined in the table below.

Work theme	Description	ToR
Natural capital metrics	We established how changes in and the status of natural capital and its benefits should be measured.	ToR 1
Risk Register for natural capital	We developed a method that identified the benefits from natural capital that are currently at greatest risk in England.	ToR 1
National Accounts	We worked closely with the Office for National Statistics and Defra to progress the development of national natural capital accounts.	ToR 2

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Corporate Accounts	We developed an innovative and robust framework for organisations to account for changes in the natural capital that they own or manage. We successfully piloted this with four organisations and published guidelines and case studies.	ToR 2
Economic appraisal of natural capital	We produced a technical report on how the Government Green Book appraisal guidelines could be improved to take better account of natural capital.	ToR 2
Natural Capital and Growth	We examined the relationships between changes in natural capital and economic growth as conventionally measures through GDP.	ToR 2
Research priorities	We worked with Research Councils and academics to develop an advice paper to Government on future research priorities.	ToR 3

The outcomes of these work streams and our recommendations for how they should all be taken forward are contained in the three annual State of Natural Capital reports that we published. The overriding recommendation of the Committee has been that a 25 year plan is needed to improve the environment. The annual reports and the documents detailing the work streams outlined above can all be found on our website:

www.naturalcapitalcommittee.org

Annex 1 below provides more detail on the work of the Committee to meet each of the ToR.

Annex 1: A detailed record of NCC activities and how they align to its Terms of Reference

ToR	What we have done	Output
<p>Provide advice on when, where and how natural assets are being used unsustainably. For example, in a way that takes us beyond some acceptability limits or non-linearity thresholds, or in a way that diminishes some measure of comprehensive wealth.</p>	<ul style="list-style-type: none"> • We developed a framework to measure natural capital – both the underpinning natural assets (air, soils, water, land, species and oceans) as well as the benefits derived from them (clean air, recreation, water quality, etc). • We have developed a risk register which identifies which of the benefits we receive from natural assets are most at risk. • We have advised the Government on what work needs to be done to develop the risk register so that it can be used to prioritise action where it is needed most in order to protect and improve our natural assets within a generation. 	<ul style="list-style-type: none"> • State of Natural Capital reports 2 and 3. • Working Paper - <i>Towards a Framework for Defining and Measuring Changes in Natural Capital</i>. • Research project to design conceptual framework to produce an initial suite of metrics and risk register. • Research project to review the available data on natural capital and evidence for restoration feasibility, timescales and cost. • Several workshops across the academic community. • Research publication in Journal of Applied Ecology (Mace et al 2015 <i>Towards a Risk Register for Natural Capital</i>).
<p>Advise the Government on how it should prioritise action to protect and improve natural capital, so that public and private</p>	<ul style="list-style-type: none"> • We have provided advice to the Government on what can be done to improve HMT’s Green Book Appraisal Guidance to take better account of our natural assets in decision making. • We have developed and trialled an innovative approach 	<ul style="list-style-type: none"> • State of Natural Capital reports 1, 2 and 3. • Technical report on the approach Government should take to refreshing Green Book Appraisal Guidance.

<p>activity is focused where it will have greatest impact on improving wellbeing in our society. This will include advising the Government on tools and methodologies to ensure that the value of natural capital is fully taken into account in policy decisions and in economic planning.</p>	<p>to accounting whereby organisations can see the effect of their actions on their natural assets. The framework allows organisations to see the natural assets they own, and the benefits they produce in balance sheet format which is comparable with traditional financial accounts. This allows private organisations to make better informed decisions about the sustainable use of their natural assets as well as what the private and external effect will be in monetary terms. Having consulted widely during production, we have published this framework and publicised its use widely. The likes of Birmingham City Council and Forest Enterprise England are now developing accounts at their own expense.</p> <ul style="list-style-type: none"> • We have contributed to the ONS and Defra work to include natural capital into the national accounts. This will help to inform decisions at the national level about the sustainable use of natural capital. • We have undertaken a research project to identify those natural capital investment projects which stack up when compared to traditional infrastructure projects. This has informed the Government about the type of priority action that is needed to protect and improve our natural assets as well as demonstrating which natural capital investment projects have the highest return for investment. • We have produced a working paper looking at the links 	<ul style="list-style-type: none"> • Discussion paper – unnatural natural capital accounting. • Working paper – <i>Introduction to the Committee’s corporate Natural Capital Accounting Project.</i> • Corporate Natural Capital Accounting Pilots and development of the accounting framework and associated guidance. • Advising Defra and ONS on National Natural Capital Accounts. • Research project on natural capital investment priority projects. • Working paper on Natural Capital and Economic Growth.
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	<p>between natural capital and economic growth as conventionally measures.</p>	
<p>Advise the Government on research priorities to improve future advice and decisions on protecting and enhancing natural capital. The Committee’s advice in this area will reflect consultations with the Research Councils and the academic community.</p>	<ul style="list-style-type: none"> Working with the Research Councils and other Academics over the Committee’s 3 year term, we have identified future strategic research priorities for natural capital. 	<ul style="list-style-type: none"> Advice paper to the Government on future research priorities.