

# Understanding and using the concept of Natural Capital in Scottish Public Sector Organisations

*Briefing for the Round Table on Natural Capital, 23rd Nov 2017*



Briefing prepared by Blackstock K.L, Christie M., Elm M., Faccioli M., and Herrett S.

## Purpose of the document

This briefing is based on the feedback received from the questionnaire circulated to participants who plan to attend the Round Table on Natural Capital on 23<sup>rd</sup> November 2017 (see methodology below). The purpose of the document is to provide a common starting point for the discussion, recognising that participants may have different understandings, experience and views on the concept of Natural Capital. It will help ensure the Round Table will achieve its aims, particularly in terms of understanding the relevance of natural capital for the organisations attending the Round Table, and the contribution that the participating organisations can make to protecting and enhancing Scotland's natural capital.

## Main Messages from the responses

- ) The use of the concept is not yet common in Scottish public sector organisations – terms like the environment or sustainable development were more common
- ) However, the existing definition was acceptable to all
- ) Application of the concept is more advanced in organisations that have explicit environmental or biodiversity objectives
- ) Many respondents did not explicitly recognise that their organisation was dependent on natural capital
- ) The concept is important to most organisations but was often an 'enabling' factor rather than their core objective
- ) Organisations are most active in taking action to protect natural capital within their own organisations and least active in helping others invest in or protect natural capital.
- ) Raising awareness of the concept is more common than raising awareness of how to invest in natural capital and the benefits arising from these investments
- ) The enabling factors and barriers are common to implementation of most policies and practices: e.g. resources, alignment with existing activities and remit, political will etc.
- ) The main opportunities for the future exist around partnership plans and partnership projects
- ) There are still controversies to be overcome surrounding how the concept can be inclusive and serve Scottish society not only private interests.

## Introduction

Natural capital has become increasingly recognised as an important concept because natural assets underpin the prosperity and wellbeing of a society and provide the foundation for many businesses. Although the term was first used in 1973, there has been a proliferation of initiatives working with

the concept of natural capital across the international arena within the past decade. Natural capital is generally understood to mean *the stocks of natural assets which include geology, soil, air, water and all living things* (Scottish Forum for Natural Capital). A slightly expanded definition is *the environmental resources (e.g. plants, animals, air, water, soils) that combine to yield a flow of benefits to people* (Scottish Natural Heritage). As with other forms of capital (e.g. financial, social, human), natural capital is an essential input to making “Scotland a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth”. To this end, investment in natural capital is a National Performance Indicator; referenced in Scottish Government’s (2015) Economic Strategy; and one of the six steps in Scotland’s Biodiversity – A route map to 2020.

### **How common is the use of the concept of Natural Capital within organisations?**

There is a wide range of experiences here, ranging from organisations where it is very uncommon to organisations where it is very common, with the mode and median result being ‘uncommon’ (based on 7 responses; two participants selected don’t know or prefer not to answer).

Explanations for the answers ranged from organisations who already work with the concept, or the idea of natural assets, to those who have never heard the concept used in their organisation. Some noted it was more common in those working in policy or science parts of their organisation but was not widely used in operational areas of the organisation. In comments here and elsewhere in the questionnaire, there was a suggestion that the concept was becoming more common but still seen as rather technical language, with references to the environment, nature or sustainable development more mainstream. Therefore, whilst many agreed with the concepts, they were unlikely to use it when talking to staff. In some cases, it was clear that regardless of the specific terms used (e.g. sustainable land use, landscape, biodiversity as well as natural assets) - a stock of natural capital was vital to their organisation. However, these links were made in less than half of the responses provided. The remaining organisations may also rely on natural capital but the fact that this reliance was not mentioned suggests that it is perhaps not foremost in the minds of the respondent. Furthermore, even where a respondent explicitly noted the dependence on natural capital, the tension with the ‘intrinsic values of biodiversity’ was raised as a barrier to increasing the use of the concept.

### **Do organisations share the Scottish Forum for Natural Capital definition of natural capital?**

The Scottish Forum on Natural Capital definition is 'the stocks of natural assets which include geology, soil, air, water and all living things'. All seven respondents either agreed or strongly agreed with this definition; with two further respondents noting that because the concept of natural capital is not used in their organisation, they could not answer. It is interesting that the comments accompanying these responses suggest that none of the seven organisations actually have their own formal definition of natural capital in use within their organisations. However the respondents felt that the definition provided would be something they could, and in some cases are, working with.

## How important is the concept of natural capital to the objectives of the organisations?

Respondents believed that the concept was either important or very important (n=7); with one respondent unable to answer and one respondent skipped the question. Within the comments provided by five respondents, it is clear that for some, the concept is integral to delivering their organisational objectives. However, for others, the concept is implicit and complementary to their 'core' objectives. In other words, natural capital is important but not the most important issue, and therefore exists alongside other 'enabling' objectives. Furthermore, some comments suggested that there were still issues to be resolved, given it is a relatively new concept – such as ensuring balance between different aspects and that the concept enables inclusion of all Scottish society.

## What are the levels of activity regarding working with or investing in natural capital?

There was a wide variation in answers to this question ranging from no current activity; low level of current activity (initial consideration of the concept only); medium level (substantial activity in some areas of the organisation) to high levels of activity (the concept is fully embedded and action taking place across the organisation). Overall the answers illustrated in table one below suggest that organisations are most active in taking action to protect natural capital within their own organisations. They tend to be least active in helping others invest in, or protect, natural capital. The result on supply chains was surprising given the fact that many public sector organisations have sustainable procurement policies, so this may reflect the fact the term 'natural capital' is not explicit rather than the impacts of supply chains on the environment are not considered.

*Table 1: Number of Respondents selecting each level of activity*

	No activity	Low activity	Medium Activity	High activity	No Answer	Total
Raise awareness internally with staff	1	4	2	1	1	9
Raise awareness with other stakeholders and the public	1	4	1	2	1	9
Enable knowledge exchange around how to invest in natural capital	2	4	1	1	1	9
Provide funding for others to invest in natural capital	3	3	2	0	1	9
Take actions to protect and restore natural capital within your organisation	2	1	2	3	1	9
Take actions to protect and restore natural capital within your organisation's supply chain	4	2	2	0	1	9
Prevent others from degrading natural capital	1	3	1	3	1	9
Other <sup>1</sup>	0	0	1	0	8	9

<sup>1</sup> The respondent who used the option of 'other' defined this as: internal decision making and appraisal processes require mitigation of negative environmental impacts

## **Enabling factors and barriers to working with natural capital**

Awareness is raised with internal staff through existing procedures, but it is more difficult to raise awareness when the concept is not central to existing objectives; and when the concept is poorly understood. Awareness with others is linked to where knowledge exchange already occurs, and is easier when the environment, if not natural capital, is already the topic of these interactions. It is harder when there are insufficient resources, diverse audiences or a lack of stakeholder interest.

Raising awareness about how to invest in natural capital is more difficult when there is a lack of knowledge about the concept's benefits; and when there are no established routes for these discussions. We infer that knowledge exchange about how to invest in a concept will take longer to mainstream than discussions about why the concept is important. Conversations about investing in natural capital do, however, enable new networking opportunities between the public sector, private sector and NGOs. These conversations require more specific finance skills and knowledge.

The relative lack of activity around funding investment in natural capital is explained by the fact that very few of the respondents' organisations offer funding to 3<sup>rd</sup> parties; and all are subject to public sector funding constraints. Having discretionary budgets and building capacity with other partners in the finance sector were seen as ways to enable this investment activity. Many organisations do take action internally to restore and protect natural capital within their own estate, which is generally enabled through a fit with existing statutory duties and voluntary corporate strategies e.g. regarding health and wellbeing of staff or corporate vision aligned with natural capital values. It is less easy when protecting or restoring natural capital is not aligned with internal values; particularly when budgets are tight and there is limited capacity to alter buildings or grounds (e.g. they are rented). Those who are active in managing supply chains to protect natural capital again illustrate that this is enabled by a fit with existing approaches to procurement. The barriers are a lack of influence, an alternative focus on cost-savings and lack of tools to enable this to happen.

Organisations enable others to protect and restore natural capital when they already have a history of partnership working and building capacity in these areas; however, others who do not already undertake these activities feel constrained by budgets but also a lack of remit and lack of influence. Interestingly, no comments on preventing others from degrading natural capital mentioned regulation or sanctions, instead respondents talked about enabling through advocacy for sustainable economic growth and enforcing good practice standards. Respondents felt constrained through a lack of capacity and political will to 'police bad practice'.

## **Opportunities to invest in Natural Capital in the Future**

Those organisations with least experience of the concept had not started to consider opportunities in the future. Those organisations with more experience of the concept, and where it has close links to their organisational objectives, identified the fact they had included the concept in their plans and partnerships. Other respondents, from organisations not directly associated with rural land use, also recognised the increasing importance of landscape and the environment to their delivery, but were less advanced in how to implement the concept. In one case the organisation is already involved in natural capital valuation and accounting. In other cases valuation and accounting is something the respondent identified as an activity for the future and they would appreciate more advice and tools

to support them in this endeavour. Future investment in natural capital would be enabled by two 'policy windows'. Firstly, if there was an increasing focus on landscape scale approaches to land use and environmental change – for example managing land for flood risk, climate change mitigation, recreational amenity and air quality. Secondly, debates around the future of the Common Agricultural Policy may continue to keep investment in natural assets high on the agenda. Having said this, it is clear from the responses that natural capital is an issue for throughout Scotland, including urban areas, and is not restricted to agricultural land use. Note that only six respondents answered this question, suggesting that other respondents were unable to answer.

## **Discussion:**

As expected, the concept of natural capital is firmly embedded in the day to day practices of some Scottish public sector organisations, but is less familiar to other organisations. Following similar debates around the terminology, language, concepts and operationalisation of 'sustainable development' in the 1990's, importance of 'biodiversity' at the start of the century and 'ecosystem services' from 2005 onwards, many respondents see the language of natural capital as a barrier to common understanding and everyday use. Whilst these debates are valid, another way of framing this is to understand how some organisations have the protection and restoration of the natural environment as explicit and core aspects of their organisational objectives and remits; whilst for others it is important but not central. As noted above, not all respondent explicitly recognised a dependence on natural capital for their organisations. Therefore, no matter what language is used, there may still be difficulties in 'mainstreaming' the concept for some organisations.

It is clear that increasing activity in communicating about natural capital, sharing good practice, investing in natural capital and helping others to do the same is more likely to happen, again, when these activities can be grafted onto existing organisational activities e.g. existing environmental or climate change mitigation. Whilst monetary resources are a constraint for all, having staff with relevant capabilities and capacity makes it much easier to embrace the concept and work with it within an organisation and with partners. Furthermore, investing in natural capital could result in longer-term cost-savings due to reducing waste and increasing partnership working.

Regardless of existing 'fit' with the organisational remit and organisational history, a clear vision and committed leadership can help to make the implicit links with the environment and natural capital more explicit. Greater understanding of the relevance and importance of natural capital is a necessary precursor to aligning organisational processes to enable an increase in activities that support, protect and restore natural capital within the organisation and throughout their supply chain. There are many initiatives that exist to share good practice, tools and approaches (see resources below) and the Round Table offers an opportunity to begin a culture of shared practice within the Scottish public sector.

## **Methodology:**

The questionnaire and analysis were implemented by researchers at the James Hutton Institute, with support from individuals at Scottish Natural Heritage and Scottish Forum for Natural Capital. An electronic questionnaire, using the software LimeSurvey, was circulated to 21 representatives of Scottish public sector organisations during October. These organisations covered both those directly involved in environmental protection/land use; and those more focused on wider social or economic development. The questionnaire consisted of 6 questions, both closed questions asking for a

response on a Likert scale; ranking questions and open questions allowing respondents to comment more fully. Two reminders were sent to increase the response rate. A total of 9 individuals responded online and another individual did not complete the questionnaire but sent comments by email, resulting in a response rate of 48%. The closed questions were analysed for descriptive statistics whilst the open questions were analysed for common themes or divergent opinions. The interpretation of the results was shared with representatives at Scottish Natural Heritage and Scottish Forum for Natural Capital, to ensure that the messages were clearly expressed and represent a robust analysis of the data.

## Resources:

For more information on Natural Capital, please visit these pages:

Scottish Forum on Natural Capital: <http://naturalcapitalscotland.com/about/natural-capital/#.WdNxtE3ruM8>

Scottish Natural Heritage: <http://www.snh.gov.uk/planning-and-development/economic-value/>

National Performance Indicator:

<http://www.gov.scot/About/Performance/scotPerforms/indicator/naturalcapital>

Scottish Government Funded research: <http://www.hutton.ac.uk/research/srp2016-21/wp141-natural-asset-inventory-and-accounts>

Development and analysis of the questionnaire was supported by the Scottish Government Strategic Research Programme 2016-2021, particularly WP1.4 on sustainable management of natural assets.

For further information about the questionnaire and its findings, please contact [Kirsty.Blackstock@hutton.ac.uk](mailto:Kirsty.Blackstock@hutton.ac.uk).

For further information about the Round Table event, please contact Mike Elm [melm@naturalcapitalforum.com](mailto:melm@naturalcapitalforum.com) or Mary Christie [mary.christie@snh.gov.uk](mailto:mary.christie@snh.gov.uk).