Local Authorities adapting to the Off-site Market

An insight in to how Local Authorities are bringing their own land forward to generate off-site biodiversity unit supply.

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Summary

This document showcases the different approaches taken by 3 Local Authorities across England to bring their own land forward into the off-site biodiversity unit market, allowing them to secure environmental benefits by implementing off-site Biodiversity Net Gain (BNG) on land under council ownership.

We hope to encourage other Local Authorities to assess whether these approaches are suitable for bringing their land forward to market. It may also assist those exploring ways to generate and supply off-site biodiversity units. It is particularly relevant for asset managers evaluating vacant land or green space for off-site BNG mitigation.

Each case study follows a similar format:

- The key objectives and drivers of the project.
- The mechanisms used to generate, sell and retain a supply of units.
- Key partnerships.
- The risks, challenges, and benefits.
- Next steps and learning.

We looked at approaches to investment in local nature via nature-related projects or improvements to environmental management [1] from Plymouth City Council, Greater Manchester Combined Authority and Coventry City Council.

Each case study illustrates how the approach: complements local policy; addresses off-site market demand; considers and manages different risks associated with works required for establishing a gain site; establishes management actions over the project lifetime; and integrates the processes of operating in the off-site market within the context of an operating authority.

Key actions taken in each case include:

- Setting up an arm's length special purpose vehicle to generate and trade biodiversity units.
- Using an impact fund to facilitate the management of supply areas for biodiversity units and carbon credits.
- Working collaboratively with partner organisations to identify local potential for natural capital.

The key benefits of these actions include:

- Collectively generating additional revenue for local reinvestment.
- Creating positive socio-economic and environmental impact for local communities in areas of deprivation.
- Triggering innovative monitoring solutions for the long-term.
- Allowing for precautionary risk management.
- Allocating internal resources to support with maintaining long-term BNG.
- Enhancing transparency for all stakeholders.
- Creating local unit supply to mitigate impacts from local development proposals.

Introduction

The State of Natural Capital Report for England [2] highlights that most of our ecosystem assets and the associated benefits they provide are either at medium-high risk or high risk. If the state of nature continues to decline, there is a chance many of the associated ecosystem benefits will likely be lost and in particular cases, this loss would be irreversible and difficult to replace. This underscores the critical need for targeted investment opportunities to restore and enhance these natural assets. Local Authorities can play their part by setting up a biodiversity gain site and entering the off-site marketplace. This will allow Local Authorities to create a long-term revenue stream and invest in projects that have a positive local environmental impact.

Statutory BNG is a mandatory requirement for local councils. The off-site market offers an opportunity to integrate nature priorities with local planning policies, wider strategic goals and council operational processes. PAS has identified 3 Local Authorities with established working groups, which are exploring how to apply BNG locally, including creating biodiversity gain sites on council-owned land. Through their off-site supply areas or gain sites these authorities are supporting local demand for off-site BNG units, contributing towards ambitions for nature, collectively supporting local conservation and enhancing the ecological value of local assets on a much larger scale.

With the biodiversity market becoming established, new off-site supply areas are establishing throughout the country to meet demand from developers, the marketplace is offering a range of biodiversity units to secure off-site mitigation for developers [3,4]. The market represents significant potential to deliver biodiversity enhancements and wider ecosystem services [5].

To qualify as a registered biodiversity gain site under the Environment Act 2021, supply areas must have the creation, enhancement and maintenance of habitats (using the Statutory Biodiversity Metric tool) secured via a legal agreement for a minimum period of 30-years and have the gain site and biodiversity units registered on Natural England's Biodiversity Gain Site Register [6]. Units can then be allocated to specific developments and recorded on the register. At present, the register lists just over 100 sites that have been formally registered, with more sites likely to be registered in the coming months.

Plymouth City Council

Key objectives and drivers

As part of delivering their joint local plan policy [7], Plymouth City Council (PCC) through their Net Zero Action Plan have set a policy objective [8] to utilise Ocean City Nature (OCN) as a delivery mechanism for green finance and local offsetting in collaboration with the Plymouth Net Zero Partnership [9] and other key stakeholders. Ocean City Biodiversity (OCB) offers a compelling BNG offset solution for developers; within the city, secures future income to be reinvested for public benefit and will generate a sustainable revenue for the management of green and blue assets within the council's jurisdiction.

The mechanism

In March 2023, PCC established OCB as a special-purpose vehicle (SPV) to support biodiversity initiatives. The SPV is expected to generate just over £5 million over 30-years [10], primarily through income from pilot sites owned by the local authority. PCC oversees the broader strategy through OCN, a holding company that retains control over the SPV. OCN manages the overall operations and unit sales, with a board comprising PCC representatives and local environmental stakeholders. A Green Finance Board guides OCN's priorities, ensuring alignment with PCC's strategic objectives. The initial funding for PCC's business model included a £0.5 million investment from the Council, with the goal of achieving a return, with interest, within 10 years. OCB, funded by Ocean City Nature and third-party investors, operates as the off-site supply area for biodiversity units. OCB focuses on operational activities, including managing habitat banks* and land banks**, and is governed by an operational board that includes investor representatives. The SPV proposes to generate income by selling biodiversity units derived from these banks.

Key partnerships

OCB was developed in collaboration with the Future Parks Accelerator (FPA), a National Trust and National Lottery Heritage Fund initiative, with support from Finance Earth as an impact investment advisor and funding from DEFRA's Natural Environment Impact Readiness Fund. The FPA provides a resource hub with links and documents supporting urban supply areas, along with a '10-point' plan [11] outlining key steps for their setup. This plan was influenced by several authorities including PCC, Birmingham City Council, Bournemouth, Christchurch and Poole Council and Newcastle City Council.

Risks and challenges

PCC have still to consider the question of how insurance cover might apply to the long-term management of existing sites and additional habitat delivery. PCC has accounted for accidental damage/public vandalism and asset depreciation within the cost projections of the business model. Through the existing financial model of OCB, PCC state that there is a 10% redundancy rate to their sales strategy. This risk buffer accounts for any future ecological risk but also weighs market demand. The existing pilot sites are of relatively low risk, in terms of delivery, and OCB does not intend to reach maximum condition*** for existing habitat types.

**Habitat banking is where sellers have established sites with ongoing habitat management (through creation and/or enhancement), offering units to the marketplace that are already being actively managed.*

***Land banking is where sellers have land which they propose to implement habitat management on, once a purchase of biodiversity units and an agreement has been made between the seller and buyer.*

****For sellers, taking account of the target habitats and conditions for the unit's 1st lifetime (initial 30-years) is likely to be crucial to the longevity and resilience of the nature market. Sellers can potentially stagger sales so that at the end of the first 30-years, there is still scope to increase condition or distinctiveness for a second lifetime. Taking a staggered approach to habitat creation and enhancement enables long-term funding for higher distinctive habitats. It also means long-term funding for higher distinctive habitats and encourages setting a risk-based sales approach.*

Photo Credit: Zain-Ul-Deen Muhammad

Ensuring successful management

Each of the pilot sites must successfully monitor and enforce the delivery of management and maintenance of habitats for BNG.

The following documents must therefore be approved and agreed for each of the pilot sites:

- A lease agreement between PCC and OCB for the land used to deliver biodiversity units for 50-years.
- A planning obligation under Section 106 of the Town and Country Planning Act 1990 (as amended) between PCC and OCB.
- A Habitat Management and Monitoring Plan using the Natural England template.
- A management service agreement (roles, responsibilities) between PCC and OCB.
- A contractual agreement between OCB and 3rd party investors.
- A sales contract template for unit purchases.

Monitoring fees are included within the unit selling price and OCB's current sale strategy anticipates unit supply will last (sell all available units) until 2037, based on conservative sale projections. However, PCC officers believe supply will sell out well before then. Both PCC and OCB will review sales in the following 3 years, once units are registered/available. If the demand does exceed modelled projections, then they are likely to identify further sites, and will investigate any opportunities to help streamline the process of implementing additional sites.

The pilot sites

In conjunction with the HMMP, PCC will create a monitoring schedule and using nature-tech software will track any future monitoring. This is all guaranteed within the unit selling price and will cover its lifetime. From OCB's end, a proportion of the unit sale will be paid to PCC to fund these actions. OCB also encourages regular monitoring in alignment with the HMMP, in order to ensure create positive outcomes for biodiversity are delivered.

As at January 2025, OCB comprises 3 pilot sites:

- Cann Woods Local Nature Reserve (LNR).
- Ham Woods LNR, (Gain Site Register Reference: BGS-240225002).
- A former landfill site, Chelson Meadow.

These pilot sites collectively make up an area of approximately 109ha, with units of varying distinctiveness and habitat types including woodland, grassland, heathland, and shrub. According to Future Homes Unit Finder [4], OCB is set to generate approximately 280 units, and it is noted that an S106 agreement for BNG delivery is being finalised for their first pilot site and OCB anticipates units to be registered this year. Continuous unit generation has been forecasted to last up until 2030 based on the three pilot sites.

Site selection

Site selection is based on primary criteria comprising eligibility, strategic fit, connectivity and viability. PCC has quantified approximately 45 sites, in addition to the existing pilot sites. These will be considered following the first phase of the SPV. Eligibility criteria include land ownership (to ensure that the site is under the sole control/ownership of PCC) and that BNG is the sole revenue being used for management actions on the site. Strategic fit criteria include location - whether sites are located within a nature recovery network or within proximity to potential development areas, ecological connectivity to other high-value or strategically important habitats, and whether the site is within publicly accessible distance of deprived neighbourhoods.

Viability considerations include an evaluation of size/scale, habitat types, costs, and demand. Sites are selected if there is >15ha of intervention potential (clusters of smaller sites were also accepted), a mosaic of habitats present (grassland sites of low quality were prioritised), if cost estimates for delivery and maintenance for 30-years were sustainable for the existing financial model, and if the potential supply of the site was proportionate to that of local offset demand and availability.

Moving forward

Currently, the primary focus for PCC, OCN and OCB is implementing this first phase. Both PCC and OCN believe that aiming for low-risk operations and services (contracted from PCC's internal departments) and lower habitat conditions is a sensible approach to managing risk from a commercial business perspective, as there are standards/expectations in place for a Local Authority-regulated habitat bank to maintain publicly accessible land for 30-years. Approaching things in this way, allows efforts to be directed towards perfecting the operation of the SPV. The FPA have published a webinar series on PCC's habitat banking journey to support urban biodiversity offsetting elsewhere [12].

Lower habitat conditions

Not attaining higher conditions within current habitat types, will allow the SPV to re-quantify and generate further uplift in the future. This will ensure a 'fresh' supply of units on the existing pilot sites for the future. Because the pilot sites are located within a wider urban environment, the council aims to improve access to nature and engage with local communities. Encouraging engagement with local communities will support in mitigating any potential risk or physical damage that may hinder OCB's ability to reach maximum habitat conditions.

Priorities

The planning team at PCC works closely with other departments through an internal BNG working group and with the Local Nature Partnership [13]. They will continue to use these affiliations to proactively implement priorities within policies, helping identify areas for biodiversity improvement.

Where necessary, PCC will continue to update its local validation list and in alignment with national guidance to prompt applicants in providing the necessary level of information for individual sites. The BNG working group consists of development management, strategic planning and infrastructure, environmental planning, street services, legal and planning policy. This allows for knowledge exchange and a collective understanding of new developments which has helped reduce the overall level of risk, time and resources for all involved with establishing the special-purpose vehicle and responding to mandatory BNG.

Other opportunities

An area adjacent to one of the pilot sites, Chelson Meadows, has been earmarked for a solar farm. The farm is a joint venture between Plymouth Energy Community and PCC and the project has received planning approval, with a commitment to generate an uplift of 24% for BNG. This will be generated both on-site and off-site, with the off-site units being generated in the neighbouring pilot site. In addition to the existing habitat types on offer, OCB is examining potential for both hedgerow and watercourse biodiversity units. River condition assessments are currently underway in addition to reviewing the business model to account for supply and demand for linear and watercourse units. These are proposed to be 'ready' sometime this year.

Greater Manchester Combined Authority

Key objectives and drivers

Following the first Greater Manchester Green Summit in 2018, a need to increase funding into improving the natural environment was identified as a key challenge and opportunity. This was reflected in the 2018 Springboard Report [14] and in a commitment in the 5 Year Environment Plan [15] to explore the establishment of a specific environmental fund for Greater Manchester (GM). The plan's priorities include land-use, greenhouse gas emissions, water quality, flood risk, decline in ecological connectivity and habitat quantity/quality. In 2019, a Natural Capital Investment Plan for GM [16] was published. It looked at establishing governance via a fund to explore opportunities to attract investment beyond grant funding. One of these opportunities was generating revenue from biodiversity offsetting.

The mechanism

Following a procurement exercise in 2020, Greater Manchester Combined Authority (GMCA) entered into a partnership with Lancashire Wildlife Trust (LWT) to establish the Greater Manchester Environment Fund (GMEF) [17]. The establishment of the fund was set up in phases. The first phase involved LWT establishing the fund as an independent charity. This initial phase was supported by a collective contribution of £30,000 from GMCA, Environment Agency, United Utilities and Peel Holdings, and including GMCA officer time to support with GMEF development. For the second and current phase, LWT has been managing the fund, attracting donations/grants and awarding funding to environmental projects within the region. In 2022, GMEF successfully secured funding from Defra's Natural Environment Investment Readiness Fund (NEIRF) to set up a BNG investment facility to support land managers wishing to create gain sites, particularly local authorities to secure off-site unit supply on their land. Using the fund, GMEF held a series of workshops with Local Authorities to identify how GMEF could support them in identifying, preparing and developing proposals for off-site gain sites.

Key partnerships

To support with the establishment of the fund, GMCA worked with several partners. An independent board has been set up to govern the fund's operational delivery of and comprises four directors representing LWT, GMCA, Greater Manchester Chamber of Commerce and Peel Holdings. This board is complimented by advisory group members from GMCA, SUEZ, Natural England and United Utilities. In 2021, LWT developed a GMEF investment strategy [18] with consultants, Finance Earth. This strategy set out opportunities, including both BNG and carbon offsetting. Key working groups were also established, including a 'task and finish group' on BNG as part of the Local Nature Partnership, the Greater Manchester Natural Capital Group.

Risks and challenges

Due to the infancy of the marketplace, there is a level of uncertainty of the costs and revenue from generating and supplying units across a 30-year period. When it comes to identifying viable supply areas under council-ownership, the ten Authorities across GM are all at different stages, and are working to different timescales and with varied capacity levels. BNG extends across a range of internal council services which can affect the timescales for bringing sites forward. Due to the lack of available in-house capacity and expertise, some local authorities are considering the option of procuring third party support. Given that there is potential for procurement, GMEF will need to identify a dedicated resource to respond to any future tender opportunities. The Combined Authority is currently investigating this process by looking at how procurement processes work and sharing good practice. This will also help to enhance transparency of the procurement process and what the extent of the role of the third party would be in a scenario such as this. This development work is needed to ensure the right level of resources and capacity are in place to help bring forward sites in the future. GMEF in the meantime will continue to rely on a mixture of grants, donations and secondments from LWT. This presents another challenge for all parties involved, as GMEF requires a long-term sustainable solution with the appropriate resourcing.

Photo Credit: Zain-Ul-Deen Muhammad

Establishing the right legal route to market

Since receiving NEIRF support, a number of GM authorities have been actively investigating land to bring forward into the off-site biodiversity market. This includes identifying the appropriate legal route to register units, whether generating and supplying units can be delivered using internal resource or if this is something which would require support from a third Party like GMEF. In essence, GMEF has the potential to act in the role as manager for sites across the region; overseeing external delivery of habitat management actions on a variety of sites across the city-region.

GMEF can facilitate a '5-step' service for landowners:

- Site Identification – Assisting individual councils with identifying and prioritising sites viable to supply biodiversity units.
- Preparation & Development – Assisting the landowner with carrying out condition assessments of habitats on the supply site, identifying what can be enhanced, completing a statutory biodiversity metric assessment, costing management plans and identifying the unit selling price.
- Security – Identifying a sales strategy and securing a land lease agreement with the landowner for 30-years.
- Registration and Sale of Units – Registering sites, drafting and verifying agreements associated with each individual site, marketing unit supply and assisting with developer negotiations.
- Delivery – Procuring delivery contractors and managing costs for habitat interventions, managing a contract on monitoring surveys and verifying monitoring, reporting and liaising with Natural England on the landowner's behalf, regarding the biodiversity gain sites register.

Supply

Natural Course's assessment [19] of offsite supply and demand for BNG highlighted that approximately 4,427 units will be required to offset impacts from future development over the next 15-years within GM. There are 337 potential offsite supply areas across GM, which, when considering viability and accounting risk, this figure was significantly reduced from 13,456 to 4,485 units being available in the future.

Greater Manchester Environment Fund approach

The BSI Standard on the supply of biodiversity benefits (FLEX 702) [5] states that biodiversity units should be delivered in the context of the local ecosystem as well as the market. The location of any work to enhance biodiversity and associated ecosystem services requires transparency to ensure any adverse effects are addressed as locally as possible. GMEF ensures a cost-effective not-for-profit approach. The trust has the potential to manage a portfolio of sites within the region and would ensure the most strategic sites are targeted in alignment with GM's upcoming Nature Recovery Network Strategy [20]. It would also act as a central 'co-ordinator' to pool BNG revenue, attracting further natural capital within GM and further enhance confidence across the districts in entering the off-site BNG marketplace.

Moving forward

GMEF is now registered as a responsible body, but this recent designation has stalled proposed timescales for local districts bringing supply areas forward and there is some uncertainty among local authorities and GMEF looking to enter into conservation covenants. The fund since being set up, has secured funding to deliver programmes comprising:

- £1.8m from Defra's Green Recovery Challenge Fund to boost environmental recovery through supporting 11 local partners on delivering a diverse project portfolio and green jobs.
- An annual payment of £200k from the SUEZ Community Fund to deliver grants to local environmental projects for the benefit of local communities across the city-region.
- £2.6m from the Mayor's Green Spaces Fund which provides small grants to local communities to enhance or create local green spaces where needed.
- £100k secured from Defra's first round of the NEIRF to trial a financial model for biodiversity units and carbon credits on a lowland peatland site in Salford.

The fund is also delivering a great deal of impact through engagement with nature via training and volunteering opportunities. This work is generating a great deal of interest in the corporate sector too, with the social value impact of green space fund projects attracting organisations to volunteer, provide resources and financial contributions. With regards to BNG, GMCA have stated that further investigation is required for individual supply sites to identify a framework to generate and sell biodiversity units. There is a need to develop mechanisms and financial models to enable supply at a local level. GMCA is supporting the creation of a local site directory for off-site supply areas and is working towards confirming the roles and responsibilities of different stakeholders including GMCA and district councils in meeting BNG requirements in the planning system.

Coventry City Council

Key objectives and drivers

Coventry City Council (CCC) with the support of Warwickshire County Council (WCC) have been operating a biodiversity offset contribution scheme for several years (prior to mandatory BNG), with around £2.8m received from developer contributions for biodiversity enhancement projects in Coventry alone. More recently a joint Local Authority Natural Capital Investment Strategy between CCC, WCC and Solihull Council has been approved. The intent and purpose of this joint Natural Capital Investment Strategy is to offer a strategic framework for investment alongside issues such as flood risk, air/water quality, carbon reduction and more. The Natural Capital Investment Strategy would allow the participating councils to combine resources and share benefits from collectively enhancing the region in alignment with local policy and strategies. It is expected to receive final approval in September 2025.

The mechanism

Given the extensive development of biodiversity offsetting in the region, CCC is taking a resource-based approach to secure supply areas. CCC intends to bring forward existing land under council-ownership, specifically for the management of off-site biodiversity unit supply in-perpetuity. This will be carried out using existing internal resources and workforce from the city council. Negotiations between internal departments at CCC took place to identify which sites could be released from other uses to set up official biodiversity land banks. CCC prioritised sites which are ecologically connected to development proposals within the city, a primary factor which CCC considered when allocating funds from their previous biodiversity offsetting contribution scheme. Once identified, the sites under development are transferred from the Council's Estates Team to their Parks Team. This is under an agreement that the Council's Planning Department has full control of the land with any revenue generated through BNG to be directed towards the management of these sites. The Council is looking to create further sites for future reinvestment and enhance potential for stacking* [21].

Key partnerships

West Midlands Combined Authority commissioned Finance Earth to support with evaluating a combined approach on adapting to the off-site market, considering factors such as a communal estates team, ecology and enforcement resource to support with a regional special-purpose vehicle. CCC's internal teams responded positively to the communication about the revenue potential of simply changing the way existing land is managed. This is mainly due to past experiences and work with WCC. The Natural Capital Assessment Partnership (NCAP) managed by Warwickshire Wildlife Trust and funded by CCC, Solihull Council and WCC have in the past supported CCC with monitoring local wildlife sites.

Site selection

With regards to sites, CCC has identified (based on location, management feasibility and uplift potential) and baselined three sites (41ha in total). One of these sites, Elm Fields has the capacity to create woodland, meadow and other habitats. A further 9 sites have been identified, which have the capacity to enhance habitats such as wet woodland, ponds, neutral grassland and many more. Sites selected are from historic agricultural tenancies and have been transferred to the Parks Team and will be overseen by the Planning Department. Two of the official sites are located along the urban edge, whilst the remaining site is situated within the city but comprises larger areas of habitat. Impacts like intense grazing from livestock has reduced much of the existing habitats to relatively poor condition on pilot sites. Choosing such sites was due to greater potential for enhancement and creation compared to other council assets like parkland, which would have lower potential of generating a more diverse range of units for the long-term.

**Stacking is where separate environmental outcomes from the same supply area are sold in more than one nature unit transaction e.g. biodiversity units and carbon credits from the same woodland are sold separately. Bundling is slightly different and comprises the sale of more than one type of environmental outcome from the same supply area combined into one nature unit transaction e.g. a suite of ecosystem services produced by the same activity are sold as a combined unit.*

Photo Credit: Zain-Ul-Deen Muhammad

Site selection cont.

CCC's BNG supplementary planning document [22] from December 2022 highlighted that, the Council has a sufficient offsetting sites to meet local demand, having selected sites throughout the city comprising a range of habitat types with opportunities for long-term management and creation. These will likely be secured via S106 agreements with neighbouring authorities.

Moving forward

CCC along with Solihull and WCC hope to combine resources to support NCAP with monitoring future supply areas. NCAP and West Midlands Combined Authority are also developing an approach using remote sensing data to produce a comprehensive map of the extent and conditions of habitats within the region. This will likely be reported on an annual basis or every 5-years to gain perspective on how biodiversity is changing and provide reliable data to demonstrate this change.

Finance Earth is primarily considering CCC-owned sites outside the Local Authority area. The Council is exploring BNG as a change of use on a 60ha disused golf course. Units could be sold in partnership with the local Wildlife Trust allowing the trust to expand a major nature reserve. CCC is looking to support both farmers and landowners on bringing land to the off-site market. Both current and future sites will require a range of management actions, which the Council is currently unequipped for. However, they are investigating opportunities in collaboration with neighbouring authorities to pool resources to improve capacity, to address this for the long-term. In the meantime, the Council is upskilling its current workforce which is delivering management activities throughout the city. Although supply areas have been established, the number of available units have not been quantified yet. However, CCC have submitted and compiled all information associated with each of the three pilot sites. The Council is in the process of registering these selected sites and is developing the associated habitat management and monitoring plans for each of the pilot sites.

West Midlands Combined Authority and WCC are developing the pricing strategy for units, and this will account for a full cost recovery approach for managing sites for the minimum term in addition to considering the aim of continuous management. CCC is also involved in a research project with the University of Warwick to trial the application of eDNA sampling to monitor biodiversity for the long-term within the city. The aim is to identify if this sampling approach is appropriate for the long-term management of biodiversity unit supply areas. If successful they hope to integrate this within their monitoring approach for local off-site supply areas. Moreover, as the LNRS is progressing, the aim is to use its priorities to guide any future locations for potential supply areas.

Conclusions

These approaches to bring land forward for the off-site biodiversity market all consider reinvestment within local areas primarily for public benefit, Plymouth and Coventry propose to direct revenue to areas within the city, whilst Greater Manchester aims to invest in opportunities across its region. Each approach differs slightly, but the outputs of these mechanisms are directed towards public good and local green spaces. Plymouth is taking the arm's length approach, whilst Coventry is proposing to take a combined regional approach with neighbouring authorities. In Greater Manchester a BNG investment facility is being developed via a charitable trust, which could facilitate local authorities to bring forward supply areas in alignment with nature recovery practices.

Drivers

All three Authorities are working on ambitious place-based initiatives to drive an attractive and accessible offset mechanism for local developers. The major drivers for these mechanisms are to generate future revenue to reinvest locally, sustainably manage both land and resources, enhancing natural assets under council ownership, conserving and enhancing priority habitats/species and strengthening the wider ecological network.

CIEEM's BNG Good Practice Principles for Development [23], highlight the fundamental role of biodiversity to the natural capital of an area, including its green infrastructure; air, water and soil quality; and food production. Biodiversity is also intrinsically linked to societal benefits such as health, regeneration and social care. Local developments can be encouraged to direct biodiversity investment to sites to give an accumulation of targeted benefits in a local area. Local Authorities as landowners/managers have competing drivers for selecting viable sites in highly urbanised areas. In addition to Local Plan requirements, there is a need to encourage local off-site mitigation to support enhancement to local assets and services, whilst also considering if chosen sites are financially feasible to manage for the long-term.

Partnerships

These cases highlight extensive collaboration by Local Authorities with a diverse range of organisations, showcasing the potential of external funding programmes and the value of research and development into natural capital within a local government context. These examples emphasise the importance of partnerships, across multiple scales both regional and local and with leading authorities. Such collaborations enable resource sharing for activities like monitoring, asset management, and establishing unified and consistent enforcement methods. Internally, forming a working group can secure support from key department leaders, foster an evidence-based approach to integrating offset mechanisms with other council services, and unlock several benefits. These include revenue generation, workforce upskilling, knowledge exchange, and the optimisation of operational processes for greater efficiency and long-term sustainability. Additionally, internal working groups can indirectly enhance collaboration, align organisational priorities, and create valuable networking opportunities across the authority.

Managing risk

Applying a risk buffer to the unit price might be sensible in an evolving off-site market. With nature at risk, this is something Local Authorities must carefully scrutinise when selecting sites and the type of area, linear and watercourse units they intend to sell and manage over a unit's lifetime. Setting a buffer would account for any interventions required to mitigate potential impacts from physical, transition or systemic risks in the future. Aiming for low-risk operations and contracting in-house services is a sensible, precautionary, yet appropriate approach to managing habitats. Especially habitats of low to medium distinctiveness, giving way for opportunity to further enhance and regenerate more units within the same supply area.

Risks associated with intermediary impact funds like GMEF are slightly different, but could still comprise operational or physical impact risks. Authorities like CCC are less likely to encounter any future risk based on their approach, given their long-term experience with offsetting for biodiversity. With CCC's risk management approach, for instance, the current development surrounding monitoring opportunities if used as a combined resource, could reduce management failures or lack thereof, it could improve efficiency with monitoring but also reduce expenditure like staff time. Identifying risks early on before starting is best practice. It can help identify the level of capacity required to maintain and operate a scheme. The biodiversity market is also open to all and so it is necessary that Local Authorities monitor market volatility, especially if they are proposing to bring forward supply areas to generate biodiversity units.

Managing risk cont.

The United Nations Environment Programme's (UNEP) paper on Nature-Positive Insurance: Evolving Thinking and Practices [24] states that insurers may face potential nature-related risks, that fall under three categories: which comprise physical risks, transition risks and systemic risks. Physical risks are those which result from extreme natural weather or ecosystem changes. Transition risks depend on market demands, environmental policy, and regulations which relate to sustainability and nature conservation. Whilst systemic risks derive from more large-scale disruptions like natural disasters or ecological breakdowns that can create major impacts on the financial stability of insurers. It is likely that insurers will assess risk associated with long-term management and biodiversity loss. Any insured accidental damage is likely to conflict with the 'like-for-like' requirement and this may require associated risks and costs to be appropriately covered [25].

Monitoring and enforcement

With Plymouth's mechanism, participating stakeholders can secure the delivery of habitat management with a service agreement in addition to the planning obligation. This could be coupled with contracting in-house services to ensure monitoring is undertaken and the Local Authority is afforded the right to enforce and equally govern the vehicle in the appropriate direction. From a Greater Manchester perspective, GMEF can source appropriate resources to monitor sites for the long-term. In Coventry, the ongoing research and development into offsetting and with a partner like NCAP, means there is potential to resource efficient monitoring methods such as remote sensing or eDNA sampling [26]. Remote sensing is non-intrusive and can enable continuous monitoring of local sites [27], especially where habitats may be inaccessible, difficult to survey or where traditional survey methods are unfeasible. From the enforcement end, these council-owned pilot sites will have strict monitoring measures, and local planning officers will have greater insight into such sites compared to off-site supply areas owned by private parties.

Transparency

Transparency is a common theme among these mechanisms. There is transparency on the proposed extent or type of units which will be marketed in the future. There is ambition to regenerate across a few unit lifetimes within the same supply area too. Another useful takeaway from this, is that these authorities are considering historic management actions on their pilot sites to identify future interventions to create or enhance habitat, as well as the potential to enhance strategic areas and the associated wider benefits for priority habitats and key species. All of which are collectively being used almost as a precursor for LNRS priorities. Nature recovery, and considerations for ecosystem services are key to these approaches, and have a balance of benefits for both nature and people.

All three Authorities have delivered exemplary work on these mechanisms. They have highlighted the level of preparatory work required to establish impactful locations for off-site supply areas. These cases represent a great deal of transparency on how and why sites have been selected, the level of opportunity for additionality and have set out an ambition for establishing governance based on statutory requirements. The BSI FLEX 701 [1] outlines that both suppliers and traders of biodiversity units should ensure sufficient transparency of sales especially among stakeholders, and this includes local communities. In addition to appropriate governance for the scale and structure of their business model, realistic management actions that deliver uplift with clarity on methods used to define and measure units, and ensuring the provision of proportionate information on monitoring and verification within an agreed timeline. The Standard further highlights that these works should be delivered by competent individuals. It advises that market participants should be open to innovative technology and practices to create diversity among the marketplace and widen scope for improvement. Parties should also recognise the multi-faceted benefits of good environmental management which might help develop existing land portfolios for the future.

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