

## **GREATER MANCHESTER COMBINED AUTHORITY**

Date: 25<sup>th</sup> March 2022

Subject: Biodiversity Net Gain in Greater Manchester

Report of: Councillor Neil Emmott, Portfolio Lead for Green City Region and Harry Catherall, Portfolio Lead Chief Executive for Green City Region.

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### **Purpose of Report**

This report sets out the background on the national requirement for mandatory Biodiversity Net Gain (BNG) which will be implemented in November 2023; the ambition to maximise the opportunities from biodiversity net gain within Greater Manchester and the key issues and solutions associated with this.

### **Recommendations:**

The GMCA is requested to:

1. Approve the proposal for the GMCA to be named as the provisional responsible authority for developing a Local Nature Recovery Strategy for Greater Manchester.
2. Note the work that has been delivered by GMCA to date to ensure Greater Manchester is prepared for mandatory BNG.
3. Support the delivery of the Greater Manchester BNG 'Need and Supply Assessment' by GM Ecology Unit.
4. Support the pursuit of a range of offsetting options for Greater Manchester and that GMCA works with key stakeholders, including landowners and developers, to continue to develop this understanding.
5. Support the development of a Greater Manchester market for BNG Units including the work that is being delivered by the GM Environment Fund.
6. Support the development of a policy position on biodiversity offsetting as part of the scope of the forthcoming GM Local Nature Recovery Strategy.





7. Delegate authority to the Portfolio Lead Chief Executive, Green City Region to prepare and submit a response to the Government BNG consultation in line with the ambitions/issues raised in this paper.

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# Equalities Impact, Carbon and Sustainability Assessment:

Impacts Questionnaire			
Impact Indicator	Result	Justification/Mitigation	
Equality and Inclusion			
Health	G	GM's natural environment provides £56m in physical health benefits each year, which would increase with further enhancement to the natural environment GM's natural environment provides £364m in mental health benefits each year, which would increase with further enhancement to the natural environment GM's natural environment provides £372m in mental health benefits each year, which would increase with further enhancement to the natural environment	
Resilience and Adaptation	G	GM's natural environment provides £11m in flood risk reduction and urban cooling benefits each year, which would increase with further enhancement to the natural environment GM's natural environment provides £11m in flood risk reduction and urban cooling benefits each year, which would increase with further enhancement to the natural environment Taking action under the recommendations in this report would increase the quality of green and blue infrastructure in Greater Manchester.	
Housing		All development requiring planning permission under the Town and Country Planning Act 1990 will be required to deliver 10% Biodiversity Net Gain.	
Economy	G	Greater Manchester's natural assets provide over £1bn of benefits each year to Greater Manchester, which would increase with further enhancement to the natural environment Further enhancement in the natural environment is likely to result job opportunities within the sector in the longer term Further enhancement in the natural environment is likely to result job opportunities within an increasingly important sector in the longer term Greater knowledge and integration into decision making of the economic benefits of GM's natural assets will result in more sustainable use of these assets in the future There are likely to be resulting opportunities in delivering on these commitments and implementing the actions under the underpinning Greater Manchester Natural Capital Investment Plan.	
Mobility and Connectivity			
Carbon, Nature and Environment	G	GM's natural environment provides £38m in air quality benefits each year, which would increase with further enhancement to the natural environment	
Consumption and Production			
Contribution to achieving the GM Carbon Neutral 2038 target		The delivery of nature based solutions play a key role in achieving the Greater Manchester Carbon Neutral 2038 target including planning more trees and restoring our lowland and upland peatland stores. GM's trees store 1.5m tonnes of carbon. Chat Moss, one of GM's most important peatland resources, stores over 5m tonnes of carbon. Opportunities for stacking biodiversity net gain offsetting and carbon credits are being explored including through the Defra Natural Environment Readiness Fund pilot at Chat Moss in Salford.	
Further Assessment(s):	Carbon Assessment		
			
Positive impacts overall, whether long or short term.	Mix of positive and negative impacts. Trade-offs to consider.	Mostly negative, with at least one positive aspect. Trade-offs to consider.	Negative impacts overall.

## Carbon Assessment

Overall Score		Justification/Mitigation		
<b>Buildings</b>	<b>Result</b>			
New Build residential	TBC			
Residential building(s) renovation/maintenance	N/A			
New Build Commercial/Industrial	N/A			
<b>Transport</b>				
Active travel and public transport	N/A			
Roads, Parking and Vehicle Access	N/A			
Access to amenities	N/A			
Vehicle procurement	N/A			
<b>Land Use</b>				
Land use				
No associated carbon impacts expected.	High standard in terms of practice and awareness on carbon.	Mostly best practice with a good level of awareness on carbon.	Partially meets best practice/ awareness, significant room to improve.	Not best practice and/ or insufficient awareness of carbon impacts.

## Risk Management

These proposals have been informed by both national and local actors and or polices. These proposals will require further updates in the future when further Government Regulations and Guidance is published and studies such as the BNG Need and Supply Assessment are completed.

## Legal Considerations

The contents of this report are not legally binding and as such this is to support and guide the delivery of BNG across Greater Manchester.

## Financial Consequences – Revenue

There are no financial consequences for GMCA revenue budgets.

## Financial Consequences – Capital

There are no financial consequences for GMCA capital budgets.

**Number of attachments to the report: 2**

**Comments/recommendations from Overview & Scrutiny Committee**

**Background Papers**

N/A

**Tracking/ Process**

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

Yes

**Exemption from call in**

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

**GM Transport Committee**

N/A

**Overview and Scrutiny Committee**

# 1. Introduction/Background

## Nature Recovery

- 1.1 Nature and biodiversity are in decline across England. Locally in Greater Manchester (GM), initiatives across the public, private and third sectors under the GM 5 Year Environment Plan are seeking to reverse this and deliver the wider socio-economic benefits that improving our natural environment can bring.
- 1.2 The government's 25 Year Environment Plan and recently passed Environment Act (2021) seek to provide a national framework and new powers to support these efforts.
- 1.3 This includes the requirement for local areas in England to develop Local Nature Recovery Strategies. These will be a new, England-wide system of spatial strategies that will establish priorities and map proposals for specific actions to drive nature's recovery and provide wider environmental benefits.
- 1.4 As mandated by the Environment Act 2021, the Secretary of State is required to appoint Responsible Authorities which, together, will cover the whole of England.
- 1.5 Defra has written to the GMCA requesting confirmation that it should be named as the provisional responsible authority for a Local Nature Recovery Strategy for Greater Manchester. If agreed, the GMCA will be responsible for developing a Local Nature Recovery Strategy for Greater Manchester, which will set out our priorities for nature recovery, and delivering wider environmental benefits, in Greater Manchester.
- 1.6 Defra is requesting confirmation from a number of authorities, prior to formal appointment in the summer, that they are happy to be named provisional Responsible Authorities. This will unlock additional funding as part of the additional burdens funding to be provided in 2022/23.
- 1.7 There is no duty beyond the development of the strategy document itself – for example, there is no duty regarding implementation of measures set out in the eventual strategy.

- 1.8 The government is also introducing measures aimed at supporting the implementation and delivery of these strategies. This includes:
- Three new Environment Land Management Schemes, replacing previous schemes and payments to landowners for environmental outcomes.
  - Stimulating private investment and market-based mechanisms that improve and safeguard the natural environment.
  - Introducing the requirement in the Environment Act 2021 for Biodiversity Net Gain.
- 1.9 The latter, which is the focus of this paper, will be a significant near-term opportunity for securing investment into nature recovery in Greater Manchester.

## **Biodiversity Net Gain**

- 1.10 Biodiversity Net Gain (BNG) is an approach to development that means leaving biodiversity in a measurably better state than beforehand.
- 1.11 Once the Environment Act 2021 requirement is implemented in November 2023, all new development will need to deliver a measurable uplift in biodiversity of 10% compared to the baseline beforehand. There is likely to be only a limited set of exemptions for certain types of development. This will come into force earlier in Greater Manchester, upon adoption of Places for Everyone, for those local authorities which are part of the joint development plan.
- 1.12 BNG must first be delivered on the development site itself, through avoidance and minimising loss and seeking restoration on-site. Where this cannot be achieved, any remaining BNG will need to be delivered off-site through 'offsetting'.
- 1.13 For Greater Manchester, BNG will provide:
- Opportunities to help reverse the decline in biodiversity – both on development sites and elsewhere via offsetting.
  - Risks and challenges – this is a new requirement, requiring additional capacity and capability to ensure offsetting options are ready and available within the city-region.

## **Biodiversity Net Gain and Offsetting**

- 1.14 For each development, a “Biodiversity Gain Plan” will be required to be submitted to the local authority for approval before development can commence. Where avoiding and minimising loss and restoration on-site cannot meet the 10% BNG requirement, the applicant will need to set out how they will make up this shortfall from delivery of habitat restoration elsewhere, off-site, through offsetting.
- 1.15 Developers will be able to choose the source of these offsets – this will not be in the form of a payment to the local planning authority, as with existing Section 106 contributions for example. Instead, an open market for biodiversity units will be created with developers able to choose where to buy offsets. Initial estimates suggest there will be a demand for £6m of offsets annually from development within Greater Manchester (Finance Earth 2021) and £135m across England (Eftec 2021).
- 1.16 The way biodiversity units will be calculated (via a metric) means that units created soonest, closer to development sites and identified as local priorities for nature’s recovery (in an area’s Local Nature Recovery Strategy) will be weighted more than those further away and not in priority areas.
- 1.17 However, if local sites are not available, ready and competitive when compared to alternatives (and national statutory credits, which will be available from government as a last resort), there is a risk that developers will be able to choose to offset outside the vicinity of the development site, local area or Greater Manchester and therefore not locally and in line with local priorities for nature recovery. In turn, the potential benefits and value of offsetting to Greater Manchester would be lost or diminished.

## **2. Ambition to Maximise the Opportunities from Biodiversity Net Gain within Greater Manchester**

- 2.1 In light of this risk, in 2021 GMCA commissioned a “Scoping study for Delivery of Off-Site Biodiversity Net Gain in Greater Manchester”. The scoping study engaged with a range of key stakeholders and the final report and implementation plan included the proposed ambition for BNG offsetting in Greater Manchester to establish:



*“A network of sites and a flexible framework of delivery options to support the delivery of BNG offsite requirements in Greater Manchester”.*

- 2.2 Given that developers will be able to choose how and where to offset, this ambition will not be realised without GMCA and local authorities working proactively and with partners (including developers, landowners and environmental non-governmental organisations). Some developers are already approaching local authorities to seek offsets, prior to BNG being mandatory, which is highlighting the need to develop a framework of options to meet this emerging demand.
- 2.3 GMCA has already secured and deployed more than £200,000 of funding and staff time in preparing for BNG (see Appendix 2). However, a number of issues remain to be worked through in order to ensure the above ambition can be realised.

### **3. Issues in Maximising the Opportunities from Biodiversity Net Gain within Greater Manchester**

#### **Understanding the Scale of Demand and Potential Supply for Offsetting**

- 3.1 Several local authorities have commissioned the Greater Manchester Ecology Unit (GMEU) to undertake initial studies as to the likely demand for units from forthcoming development, alongside the supply of local authority owned land where this demand could be met.
- 3.2 To provide complete coverage across the city-region, a Greater Manchester-wide need and supply assessment undertaken by GMEU will commence shortly which will look at all types of land ownership. This will help to identify the future demand for offsetting and potential sites to meet this, located in the right places and of the right type of habitats to deliver the best outcomes for nature recovery.
- 3.3 It is recommended that GMCA support the delivery of the Greater Manchester BNG Need and Supply Assessment by GMEU.

## Bringing Forward a Flexible Network of Sites for Offsetting

- 3.4 There will be a range of options available to developers to meet offsetting requirements which are set out in more detail in Appendix 1. These include:
- Offsetting on their own land.
  - Offsetting on third party land, which could be:
    - In private or public (e.g. local authority) ownership.
    - Bought directly from the landowner or via a broker.
    - Secured after commencement of the development or in advance (called “Habitat Banking”).
- 3.5 Having a range of available options is most likely to meet the different demands of forthcoming development and of developers operating within Greater Manchester.
- 3.6 A mix of smaller sites, alongside larger strategic sites where offsets could be pooled to deliver greater impacts for nature and more wider benefits (e.g. improved water quality, reduced flood risk and carbon storage) is likely to meet this range of needs.
- 3.7 Without this mix, for example through only focussing on smaller, locally delivered sites, there will be a risk that recovery of larger sites that are more important in Greater Manchester’s Local Nature Recovery Strategy and wider benefits (eg to reduce flood risk) will not be brought forward. GMCA has recently been approached by United Utilities as it looks to develop its strategic plan for offsetting. The company, with one of the largest infrastructure development programmes across the North West, is very keen to work with GMCA to ensure that its approach to BNG delivers the best possible outcome for nature.
- 3.8 It is recommended that GMCA support the pursuit of a range of offsetting options for Greater Manchester and GMCA works with Districts and key stakeholders including landowners and developers, to continue to develop this understanding.

## **Supporting the Development of a Greater Manchester Market for BNG Units:**

- 3.9 Although delivery of BNG will create an open market for the sale and purchase of BNG Units, this is a new requirement which requires additional capacity and capability to ensure Greater Manchester Districts are prepared with offsetting options ready and available within the city-region.
- 3.10 Further resources and funding will be required by landowners to start to bring forward sites to a point of being able to accept offsets. This includes developing management plans and costed proposals, securing investment and suppliers to deliver works and to manage these sites. Local authorities are not currently resourced to carry out these functions and although GMEU has an important role to play in the 'front-end' of BNG through the planning process, the Unit is not in a position to actually deliver habitat creation and repair on the ground, nor is it able to accept or administer financial contributions for off-sets.
- 3.11 A Greater Manchester wide approach to supporting BNG offsite funding and delivery would streamline the process, aggregating up-front investment requirements so these are more attractive to potential investors as well as reducing development and verification costs across each project. The Greater Manchester Environment Fund could play a key role in supporting the development of this approach and Lancashire Wildlife Trust in collaboration with GMCA are putting together a proposal for Defra's Natural Environment Investment Fund (Round 2) for this.
- 3.12 It is recommended that GMCA support the development of a Greater Manchester market for BNG Units including the work being delivered as part of the Greater Manchester Environment Fund.

## **Formally Setting out our Policy for Biodiversity Offsetting**

- 3.13 The ambition set out in this paper will need to be reflected in local policy before BNG becomes mandatory. This will help ensure that biodiversity offsetting will be delivered in line with Greater Manchester's future Local Nature Recovery Strategy.

- 3.14 This policy will also need to reflect the balance to be struck between delivery of offsetting as close to development as possible, whilst also restoring habitats at larger, strategic sites with the greatest impact for biodiversity and where a range of other benefits (e.g. carbon storage, flood risk reduction, water quality improvements) can be delivered.
- 3.15 It is recommended that GMCA support the development of a policy position on biodiversity offsetting as part of the scope of the forthcoming Greater Manchester Local Nature Recovery Strategy.

## **Continuing to Play an Active Role in Influencing Government Policy**

- 3.16 The government recently launched a consultation to seek views on the detailed implementation of BNG. However, further detail is still required on local authority roles and powers and in how BNG, and wider provisions within the Environment Act 2021, will integrate with any reforms to the planning system.
- 3.17 GMCA, local authority officers and wider stakeholders have played an active role in testing and informing the implementation of BNG over past few years and will continue to inform this alongside the emerging planning reforms.
- 3.18 The GMCA will work with local authority officers and wider stakeholders in responding to the consultation in line with the ambition and issues set out in this paper.
- 3.19 It is recommended that GMCA delegate authority to the Directors of Environment and Place to prepare and submit a joint response to the Government BNG consultation in line with the ambitions/issues raised in this paper.

## **4. Opportunities/Risks**

4.1 The key opportunities include:

- The development of an offsetting market in Greater Manchester that is flexible, coherent and attractive to those seeking to offset the impacts of their development.
- BNG offsets lead to improvements in the areas impacted by development, the wider local area or more broadly within Greater Manchester.
- BNG offsetting addresses our strategic local priorities for nature recovery and wider environmental improvements (e.g. carbon storage, flood risk reduction, water quality improvements).
- The decline in nature and biodiversity in Greater Manchester is reversed and opportunities to deliver wider environmental benefits at the same time is maximised.

4.2 If progress is not made on the issues set out above, the key risks include:

- A flexible, coherent and attractive BNG offsetting offer is not developed within Greater Manchester.
- BNG offsetting takes place outside the area impacted by development, outside the wider local area and outside of Greater Manchester.
- BNG offsetting in GM does not address local priorities set out in the forthcoming Greater Manchester Local Nature Recovery Strategy nor wider environmental (e.g. carbon storage, flood risk reduction, water quality improvements) issues.
- The decline in nature and biodiversity in Greater Manchester is not reversed and the opportunity to deliver wider environmental benefits at the same time is lost.

## **5. Financial Implications**

5.1 As mentioned in Paragraph 1.10 above, implementation of mandatory BNG will create an open market for biodiversity units in England. With an initial estimated future annual revenue for habitat creation from developers in Greater Manchester £6m there is a risk of this not being realised/delivered within Greater Manchester. A further business case may need to be developed if bids for external funding are unsuccessful to support the development of this market in Greater Manchester.

## **6. Recommendations:**

6.1 The GMCA is requested to:

1. Approve the proposal for the GMCA to be named as the provisional responsible authority for developing a Local Nature Recovery Strategy for Greater Manchester.
2. Note the work that has been delivered by GMCA to date to ensure Greater Manchester is prepared for mandatory BNG.
3. Support the delivery of the Greater Manchester BNG Need and Supply Assessment by GMEU.
4. Support the pursuit of a range of offsetting options for Greater Manchester and GMCA works with key stakeholders including landowners and developers to continue to develop this understanding.
5. Support the development of a Greater Manchester market for BNG Units including the work that is being delivered as part of the GMEF.
6. Support the development of a policy position on biodiversity offsetting as part of the scope of the forthcoming GM Local Nature Recovery Strategy.
7. Delegate authority to the Lead Chief Executive, Green City Region, to prepare and submit a joint response to the Government BNG consultation in line with the ambitions/issues raised in this paper.

# Annex 1 – BNG Vision, Principles, Process and Off-Site Options

## Vision

The vision for offsite BNG in Greater Manchester is:

***“A network of sites and a flexible framework of delivery options is established to support the delivery of BNG offsite requirements in Greater Manchester”.***

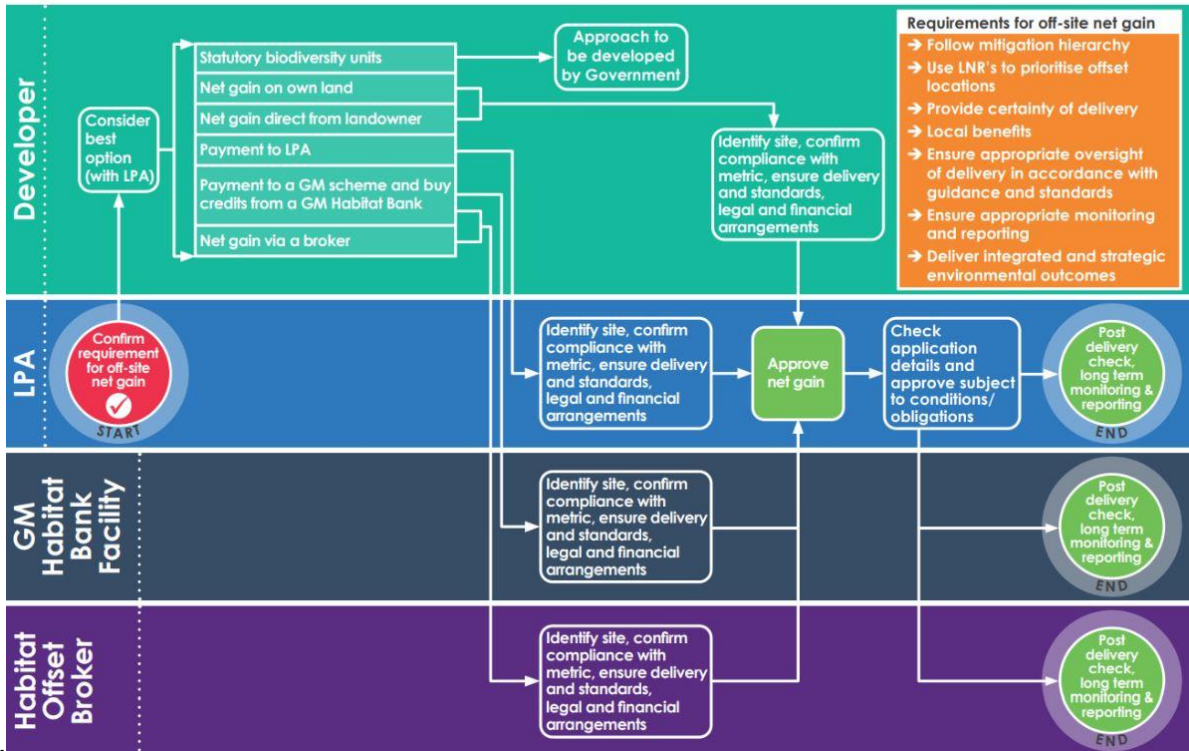
## Principles

The principles for offsite BNG in Greater Manchester are:

- Follow the mitigation hierarchy
- Use the Local Nature Recovery Strategy (LNRS) to prioritise offset locations
- Provide certainty of delivery
- Local benefits (i.e. offset locations as close as possible to losses)
- Ensure appropriate oversight of delivery in accordance with guidance and standards
- Ensure appropriate monitoring and reporting
- Deliver integrated and strategic environmental outcomes

# Process

## Off-site Net Gain Process





## OFF-SITE OPTIONS

### Statutory biodiversity credits

- Approach to be developed by the Government as part of the Environment Bill
- Last resort where all other options have been exhausted
- Risk of biodiversity credits flowing out of the region
- Not currently available

### Net gain on own land

- Net gain is provided within the red line of the development, or within land owned by the developer elsewhere
- Simplest option to secure and deliver
- Developer responsible for funding baseline assessments, drafting management plans, undertaking monitoring etc

### Net gain direct from landowner

- Net gain is provided on land owned by someone else
- Requires early engagement and agreement with landowners
- Developer responsible for funding baseline assessments of land, drafting management plans
- Legal and financial agreements required to secure delivery and monitoring

### Net gain via a broker

- Developer agrees a financial contribution with a broker to provide the net gain.
- Risk of biodiversity credits flowing out of the region
- Limited number of brokers currently in operation so currently expensive

### Buy units from GM Habitat Bank

- Habitat Banks sell “units” of habitats already created to a developer to enable the net gain requirement to be met.
- No currently operational Habitat Banks in GM
- GM Environment Fund looking into Habitat Bank investment model

## **Annex 2 – BNG Studies and Trials in Greater Manchester**

### **Greater Manchester Environment Fund**

As part of ongoing work to set up the Greater Manchester Environment Fund GMCA, Lancashire Wildlife Trust and Finance Earth Trust is seeking to establish a centralised investment vehicle to provide funding and support to habitat creation and restoration projects across Greater Manchester, taking advantage of the new market arising from emerging biodiversity net gain (“BNG”) policy <https://gmenvfund.org/>.

### **BNG Credit Pilot**

Natural England is leading a pilot at Chat Moss in Salford which will support the design of the statutory Biodiversity Credits Scheme for mandatory Biodiversity Net Gain. The pilot includes a range of activities to help with the design and delivery of the scheme from the sale of credits through to investment in strategic habitat creation and enhancement.

### **Natural Environment Investment Readiness Fund Pilot**

£100k funding secured to help implement the financing models that have been developed to attract Carbon and Biodiversity Net Gain income at Chat Moss in Salford. The Scaling Up Natural Capital Investment project will help to carry out further research, establish the verification procedures, and test out the models to prove how to lever in private investment into Greater Manchester habitats with a target of securing £2million by August 2022. Once tested, this can then be used to start to roll out the finance models long-term to realise GMs Local Nature Recovery Strategy.

### **Greater Manchester Biodiversity Potential**

As part of the GMEF Investment Strategy, Salford City Council alongside Finance Earth undertook an assessment of the potential pipeline of development over a 5 year period to calculate the likely number of units and area of land required to offset in Salford. Based on a number of assumptions the assessment indicated that over £300,000 could be generated annually in the district for offsite BNG attracting over £1 million upfront private

investment to deliver strategic habitats in the area. A preliminary assessment of the whole Greater Manchester region suggests an annual offsite BNG income of £5.5 million to £6.4 million, reflecting a sizeable Habitat Bank investment opportunity.

## **Biodiversity Off Site Net Gain Scoping Study**

A Scoping Study for the delivery of offsite BNG in Greater Manchester has recently been completed for GMCA by consultants TEP. As part of this study a Biodiversity Net Gain Implementation Plan has been produced which sets out the key cross cutting actions and steps required to ensure Greater Manchester is in a position to offer a flexible framework of offsite BNG options to developers. A BNG Implementation Team has been set up to support delivery of these priority actions. A Local Authority Biodiversity Net Gain Implementation Group consisting of representatives from all 10 local authorities also exists to inform delivery.

## **Site Search and Identification of Potential Sites**

With funding from Natural Course GMEU are due to undertake a Biodiversity Net Gain need and supply assessment across Greater Manchester in January 2022 over 12 months to establish the number and type of biodiversity units likely to be required over the next five years. The draft Local Nature Recovery Strategy will need to be used to target a site search for land to bring the best outcomes for biodiversity. Criteria will need to be developed to screen potential sites allowing resource to be focused on those sites most likely to be able to offer units, helping to realise the ambition of the LNRS”