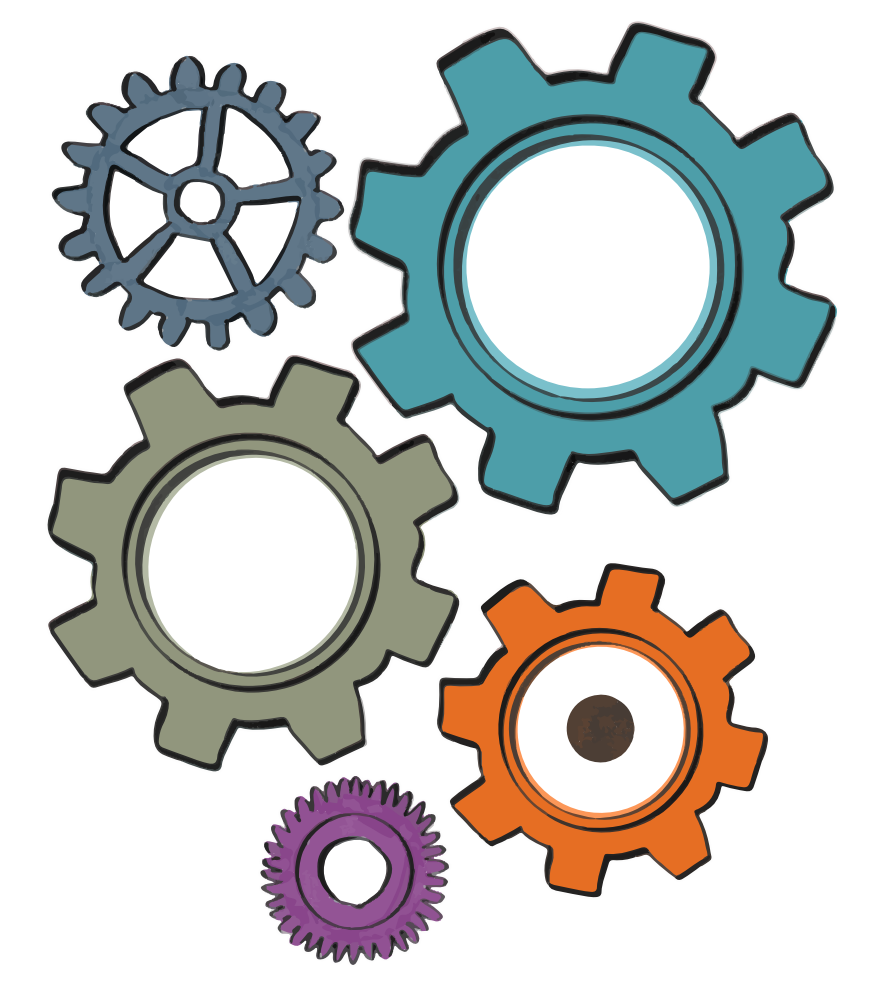


Total Value Decision Making:

A framework for delivering
sustainable organisations
and outcomes



Contents



About this paper

We developed this paper to help organisations understand the imperatives of sustainable outcomes and how total value decision making can not only offer an approach for their delivery but also create purposeful and successful organisations.

This paper draws from the valuable experience we have gained through working with clients to develop their thinking in this area, in the UK and globally.

The following individuals contributed to the development of this paper:

Bart Schoonbaert, Water strategy and governance, Arup

Catherine Wenger, Infrastructure, Arup

David Young, Legal and policy, Wheatley Young Partners

Imogen Parker, Marketing and communications, Arup

Justin Abbott, Sustainable water management, Arup

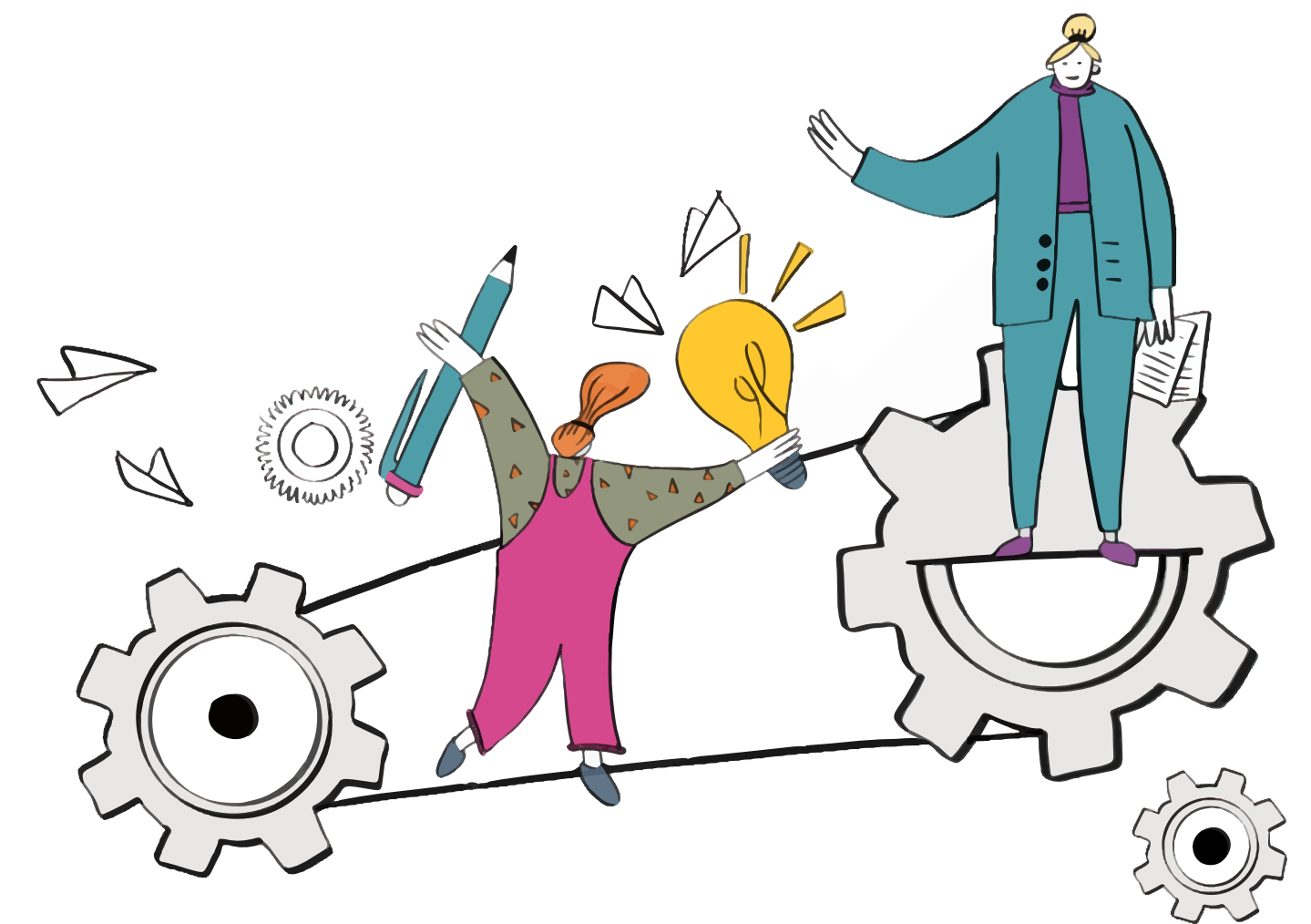
Katie Ward, Sustainability, Arup

Lu Yang, Environmental economics, Arup

Steven Lloyd, Sustainable finance and investment, Arup

Tamsin Chisnall, Environmental science, Arup

Thomas Sagris, Digital and water strategy, Arup



The pressing need for sustainable outcomes

Regions across the world are experiencing simultaneous social, economic, and environmental challenges. To secure their long-term future in this volatile environment, organisations find themselves pulled between the need to respond to immediate challenges whilst grappling with issues that will shape their future success.

From the long-term effects of the coronavirus pandemic, the re-emergence of inflation as a major economic challenge, to the changing climate patterns disrupting supply chains and the drastic decline of the biological diversity of our ecosystems, these challenges are having and will continue to have profound impacts across the globe. This paper has taken a UK focused lens, but its findings and recommendations are of global relevance.

In the United Kingdom, the consequences of these global trends include rising cost of living, fragile supply chains, more frequent extreme weather events, labour market shortages, and risks arising from persistent social inequality. For organisations, these consequences are contributing to the uncertain operating environment in which they are also expected to play an increasing role in delivering UK policy objectives and public expectations, including meeting commitments on carbon net zero, climate resilience, nature positive, and social equity.

Drivers for sustainable outcomes

Carbon net zero

The UK published its net zero strategy in 2021, setting out policies and proposals for reducing greenhouse gas emissions from each sector of the economy to meet net zero target by 2050. In early 2023, Mission Zero, an independent review of the UK Net Zero Strategy, concluded that despite the fundamental change of the economic landscape since the making of the strategy, net zero remains the priority and the economic opportunity of the 21st century, and Government, industry, and individuals need to act to make the most of the opportunity.

Nature positive

Centuries of industrialisation, intensification of agriculture, and extraction of natural resources has left the UK one of the most nature-depleted countries in the world¹. Currently, one in three people in England cannot access nature near their home and in some of the most disadvantaged areas there is little-to-no access to green space within walking distance from home².


Yet, as demonstrated by the Dasgupta Review, from human wellbeing, food security, water quality to the resilience against extreme weather events such as flooding and urban heat, our society and economy so fundamentally depend on nature to thrive³.

Climate resilience

The changing climate is one of the largest risks facing the UK. Climate change threatens agricultural production and food security, increases the risks of climate-related power system failure, and negatively impacts human health, wellbeing, and productivity. The average cost of flood damage to UK businesses is approximately £82,000⁴ and the economy could lose as much as £1.3 billion per day during severe drought in England and Wales⁵. Failure to address climate resilience in supply chains can indirectly affect businesses by interrupting production and increasing costs.

Social equity

Social equity, or the lack of it, has far reaching influences on the functioning of a society and everything within it. High levels of income and wealth inequality are linked to economic instability, inflation, low social mobility, crime, and ill health. In the UK, there is 61% place-based inequality between more and less deprived areas, along with similar levels of disparities in income and wealth⁶. Social inequity, exclusion, and lack of diversity limits productivity and consumer spending, and may negatively impact on an organisation's social license to operate.



Adopting a total value decision making approach to drive more sustainable outcomes

Delivering sustainable outcomes requires organisations to redress the balance between economic prosperity, environmental stewardship, and social equity, and between current and future generations.

Total value decision making is a whole-business philosophy and framework to help organisations capture, realise and communicate wider value, to achieve enhanced sustainable outcomes.

The ‘value’ of investment can be defined as the perception of worth, or benefit, that accrues to stakeholders, communities, and other beneficiaries over time. Traditionally, organisations held the view that short-term shareholder value should be the primary basis for decision making. Under this notion, the interests of other stakeholders are given limited weight in decision making.

This is producing a ‘value gap’ where decisions are being made without a complete set of information or evidence, driving sub-optimal investments. Opportunities for sustainable outcomes such as health and wellbeing, community cohesion and resilience are being lost. Equally, social benefits are often only ascribed qualitative values which are later ‘value-engineered’ out.

The financially focused parameters for decision making are limiting innovation, and innovative scheme choices are being ignored, often in favour of traditional hard-engineered capital solutions. This is contributing to a weakened and inadequate response to the global challenges we are facing.

Total value decision making presents the means to capture, realise and communicate wider value opportunities, harness new value streams, and facilitate new delivery models for infrastructure investment through encouragement of collaboration and integrated approaches. Adopting a total value framework can help organisations to re-examine their own purpose, goals, and values, applying a social and environmental lens to capital allocation and investment decision making, as well as building capability to design better solutions.

We believe this approach could enable a more appropriate response to the pressing challenges the world is facing and enhance the delivery of sustainable outcomes.

Practicing total value decision making

In this paper, we set out six essential qualities for organisations to practice total value decision making and a maturity map to guide their progress.

The six essential qualities are:

1. Clear purpose and goals to reflect the interest of all stakeholders.
2. Capital allocation aligned with purpose that balances financial return with wider outcomes.
3. Investment decision making based on sound understanding of impact and dependencies.
4. High integrity reporting that drives performance on sustainable outcomes.
5. Evidence and data on wider outcomes and performance used to inform future decision making.
6. Influence wider industry and sector change on sustainable outcomes.

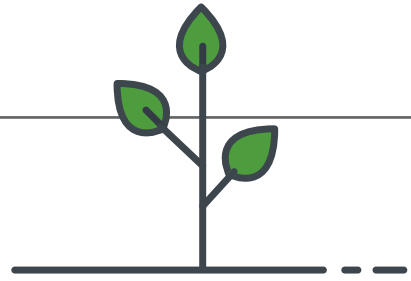
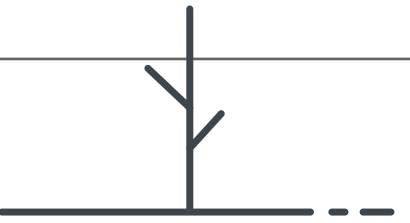
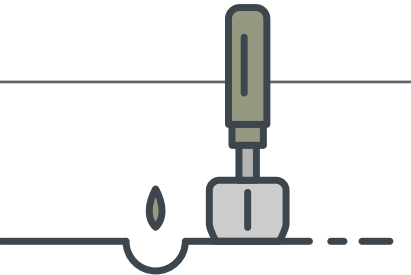
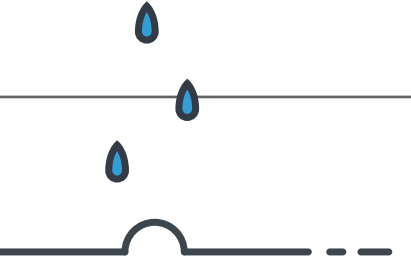
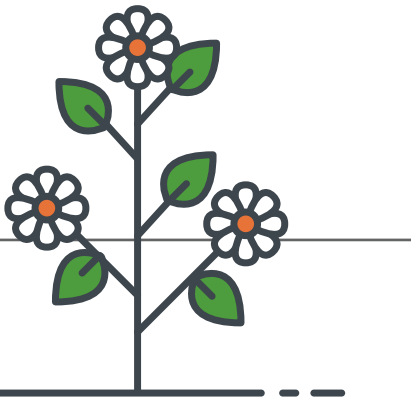
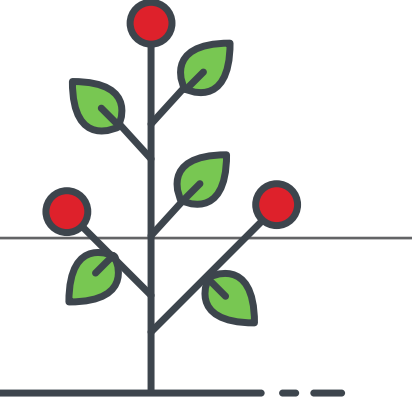
All six qualities are deemed important for total value decision making. They are not prioritised or represent a journey that starts at quality one and ends at quality six. However, organisations at different stages of practicing total value decision making may display different levels of maturity against the qualities. In the next section, we set out a maturity map to help organisations identify themselves and highlight actions that may help them to further develop their approach to total value decision making.

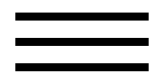
Note

Click on any of the six qualities to jump directly to that section of the document.



A guide to maturity

 <p>Quality</p>	 <p>Neglected</p>	 <p>Acknowledging</p>	 <p>Intervening</p>	 <p>Achieving</p>	 <p>Pioneering</p>
<p>Purpose and goals Clear purpose and goals to reflect the interest of all stakeholders</p>	<p>Business value solely aligned to shareholder or financial value, does not reflect the value of other stakeholders.</p>	<p>Recognise that business value should reflect stakeholders beyond shareholders.</p>	<p>A good understanding of different stakeholders and start to reflect their interests in own value and goals.</p>	<p>Have a balanced recognition of stakeholder interests in own value and have set goals to deliver sustainable outcomes with key stakeholders.</p>	<p>Fully recognise and reflect stakeholder interests in own value and goals and value has been fully embedded through the organisation with goals being delivered.</p>
<p>Capital allocation Capital allocation aligned with purpose that balances financial return with wider outcomes</p>	<p>Capital allocation focused on financial return and does not seek to deliver wider impact.</p>	<p>Recognise that capital allocation should be used to deliver wider impact beyond financial return.</p>	<p>Start to apply an ESG or impact investing lens to capital allocation and awareness of environmental and social risks of allocation decisions.</p>	<p>Implementing ESG / impact investing strategy and working proactively to manage environmental and social risks of capital allocation.</p>	<p>Progressive ESG / impact investing strategy and working proactively to maximise positive environmental and social impact of capital allocation.</p>
<p>Decision making Investment decision making based on sound understanding of impact and dependencies</p>	<p>Decision making solely based on financial value and does not account for other forms of values.</p>	<p>Recognise that decision making should be informed by a wider set of values.</p>	<p>Start incorporating non-financial values into decision making and have defined the required wider process.</p>	<p>Consistent approach implemented across organisation that fully considers the dependencies and impacts of investment, and have adequate tools, processes, and skills for its application.</p>	<p>Consistent approach that accounts for all forms of value implemented over time, that has been evidenced to drive better sustainable outcomes.</p>
<p>Reporting High integrity reporting that drives performance on sustainable outcomes</p>	<p>Reporting focused on financial performance and does not recognise the benefit and need to report the organisation's non-financial performance.</p>	<p>Recognise the benefit and need to report the organisation's non-financial performance.</p>	<p>Start to report the organisation's non-financial performance publicly covering value creation and depletion for a range of stakeholders.</p>	<p>Consistent and systemic approach to non-financial performance reporting, covering all value creation / depletion, dependencies / impacts, and use the insight to improvement performance.</p>	<p>Consistent and systemic approach, covering all values, dependencies and impact and has been evidenced to drive better sustainable outcomes.</p>
<p>Learning Evidence and data on wider outcomes and performance used to inform future decision making</p>	<p>Limited understanding on the effectiveness of evidence and data in delivering sustainable outcomes and does not see the need to challenge it or learn from others.</p>	<p>Recognise the need to enhance evidence and data to enable better solution design to deliver sustainable outcomes.</p>	<p>Start to use existing evidence and data to challenge current approach to solution design and decision making to better deliver sustainable outcomes.</p>	<p>Actively generating evidence and data, as well as accessing market examples to inform solution design and decision making. Contributing to wider industry best practice knowledge sharing.</p>	<p>Using evidence and data to deliver solution design that better deliver sustainable outcomes. Well established feedback loop to inform future decision making, and actively working to remove evidence and data barriers for sector or industry as a whole.</p>
<p>Influencing Influence wider industry and sector change on sustainable outcomes</p>	<p>Limited understanding of the benefit to influence externally to accelerate market change on sustainable outcomes.</p>	<p>Recognise the value of influencing externally to accelerate market change on sustainable outcomes but limited activity.</p>	<p>Start to engage and share learning on total value decision making externally and contributing to relevant discussions.</p>	<p>Proactively engaging and sharing learning on total value decision making externally and contributing to relevant discussions to progress industry-wide thinking.</p>	<p>Actively driving the practice of total value decision making externally and being a leader in driving sustainable outcomes.</p>



1 Clear purpose and goals

to reflect the interest of all stakeholders

How to develop this quality

Develop a compelling strategy that integrates the interests of stakeholders, by understanding the economic, environmental, and social context within which the organisation operates, as well as its interconnections with its operating environment.

Traditionally, organisations held the view that short-term shareholder value should be the primary basis for decision making. Under this notion, the interests of other stakeholders are given limited weight in decision making.

However, most organisations now recognise that shareholder value over the long term is inextricably linked to wider social and economic conditions.

To develop a deeper understanding of the economic, environmental, and social context, and the interconnections and dependencies linked to environmental stewardship and societal wellbeing, organisations need to build strong engagement with internal and external stakeholders.

There are a number of approaches that can help with this process.

- PAS 808:2022 is a British Standard Institution (BSI) publicly available specification on developing purpose-driven organisations⁷.

It provides a framework to help organisations examine their worldviews and core values. It promotes the view that long-term wellbeing for all people and planet should be the anchor for all decision making.

- The Capitals Coalition’s Natural, Social and Human Protocols provides a conceptual framework to help organisations consider the interactions between nature, business, and society.

System thinking is an approach in which organisations actively acknowledge that no business entity operates in isolation and enables them to dig deeper to understand the relationships between the elements that make up the system they operate in and the impact they have on the system as a whole.

Align and balance long-term goals across stakeholder priorities.

Stakeholder identification should include the characterisation of the organisation-stakeholder interactions and assessment of their materiality.

Effort can then be concentrated on setting long-term goals that are appropriately balanced across the needs and priorities of different stakeholder groups and relationships.

The goals set by an organisation will need to balance complex internal and external factors such as ambitions, business strategy, risk appetite, the political and regulatory environment, public opinion, and scientific evidence.

In many cases, national level commitments and sector specific roadmaps can provide a sound base for setting organisational level targets where they are available.

Where these are not available, or where organisations would prefer to take a more scientific approach, or go beyond policy guidance, a target-based framework can be used, such as the Science Based Targets initiative.

There are also principle-based frameworks, such as the UN Global Compact. While these frameworks do not set the goals, they can provide a framework and criteria to enable organisations to benchmark their ambitions and performance.

Useful resources

PAS808:2022: <https://www.bsigroup.com/en-GB/standards/pas-808/>

Capitals Coalition Protocols: <https://capitalscoalition.org/>

Science-based Targets initiative: <https://sciencebasedtargets.org/>

Clear purpose and goals |
Case Study

PAS 808: Purpose-Driven organisations

BSI launched a new PAS standard in 2022 to give guidance to organisations on defining purpose and on embedding purpose-driven decision making.

The guidance sets out the worldviews, principles and the associated behaviours of a purpose-driven organisation and provides the basis for an organisation to develop its own strategies to factor in the increasingly urgent needs of people and planet, so these are at the heart of strategy, operations, and true measure of success.



2 Capital allocation aligned with purpose

that balances financial return with wider outcomes



How to develop this quality

Understand how current allocation decisions are both creating and potentially destroying value.

Capital allocation is about where and how an organisation seeks to invest. Once an organisation has established goals that integrate business and stakeholder needs, the next step is to effectively translate these into the investment strategy for its financial resources.

Organisations need to put in place governance mechanisms for these investment decisions that fully incorporate social and environmental factors. A clear understanding of the impact of the organisation's current investment choices would help align investment and capital allocation decisions with value creation for people, planet, and the economy.

Applying an environmental, social, and corporate governance (ESG) lens to capital allocation is the first step in driving sustainable outcomes through corporate policy-based screening.

There are a number of sustainable taxonomies available for organisations to follow and more are in development, including the UK Green Taxonomy, which is due for consultation in Autumn 2023.

Impact investment could provide a more proactive alternative, by targeting specific outcomes to generate direct positive environmental and social impact. Impact investment takes financial, social, and environmental benefits into balanced account, and looks forward to target investment that will deliver the desired environmental and social outcomes.

Take full account of any environmental and social risks associated with capital allocation choices.

Capital allocation should also take full consideration of risks, many of which are closely linked to our society's overall success in achieving sustainable outcomes, such as climate and nature related risks.

For large companies, there is a mandatory requirement to report climate-related financial risks, which will provide the much-needed knowledge to inform investment decisions.

All organisations should obtain good understanding of their own risks. This would ultimately make the organisations and their supply chains more resilient and successful in the long term. In 2021, Carbon Disclosure Project in partnership with the Small and Medium-sized Enterprises (SME) Climate Hub, Exponential Roadmap Initiative and Normative, released a framework for SMEs to complete environmental disclosure and science-based target settings, which can be picked up by non-mandatory reporting organisations.

Useful resources

UK Green Taxonomy: <https://www.greenfinanceinstitute.com/programmes/uk-green-taxonomy-gtag/>

Impact Investing Institute: <https://www.impactinvest.org.uk/>

CDP Climate Disclosure Framework: https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/002/852/original/SME-Climate-Framework.pdf?1637746697

Capital allocation aligned with purpose | Case Study

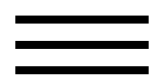
The global green economy: capturing the opportunity

In partnership with Oxford Economics, Arup published a Global Green Economy Report in early 2023⁸. The report set out a new framework for governments to develop a taxonomy that facilitates the transition to a green economy.

The framework goes beyond financial compliance to ensure the whole spectrum of environmental outcomes including circularity, biodiversity, and social outcomes is integrated into a country's green taxonomy.

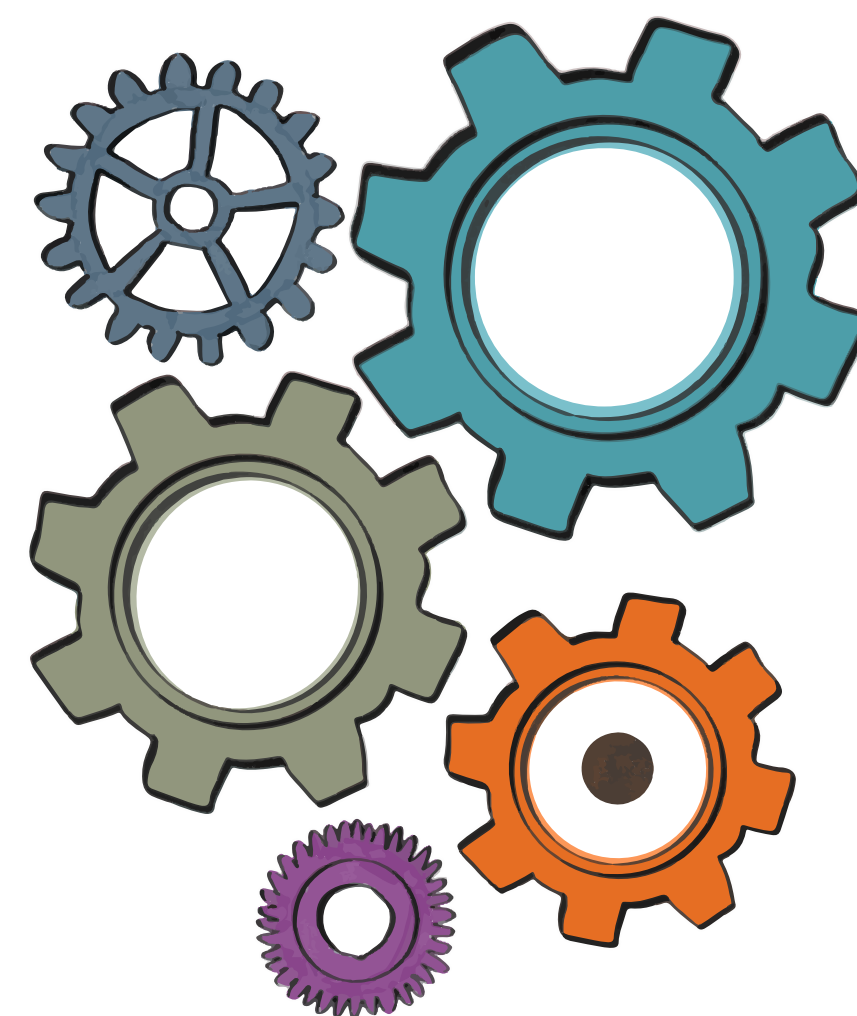
The report also highlighted the significant opportunity presented by a green economy, which could add \$10.3T to the global economy by 2050.





3 Investment decision making

based on sound understanding of impact and dependencies



How to develop this quality

Develop capabilities for sound investment decision making that fully account for value creation and depletion for a broader range of stakeholders.

Organisations need to acquire the right capabilities to assess the risks and opportunities of different investment decisions, including assessing the baseline conditions and evaluation of the impact on social and environmental outcomes.

Such transition often requires organisational change as well as a unique combination of economic, regulatory, software engineering and engagement skills.

The value framework used to carry out economic analysis of investments should be specific to the organisation and reflect the organisation's activities and stakeholders. It should enable the organisation to understand the positive and negative impact of its investment for a broad range of stakeholders.

This means bringing a wider set of value assessments into economic appraisal.

To do this, organisations could look to existing approaches like the HM Treasury Green Book, Defra's Enabling a Natural Capital Approach, Flood and Coastal Erosion Risk Management Appraisal Guidance for flood risk projects or Transport Analysis Guidance for transport projects.

In 2022, the UK Water Industry Forum, now part of British Water, published a future Asset Planning Framework based around multi-capitals thinking.

It aims to provide a common framework for total value driven asset planning and investment decision-making in the water sector.

Where sector specific guidance is lacking, organisations can lean on resources such as the Natural Capital Protocol and the Social and Human Capital Protocol to assess the impact of investment options on wider stakeholders.

Effectively integrate a value framework within investment decision-making processes with people trained and empowered to apply it consistently across the organisation.

To fully benefit from a comprehensive value framework that accounts for all forms of values, organisations also need to have the right business process, software capability, skills, and governance structure. The business process should be cognisant of the decision-making needs at different levels of business operation e.g., strategic, tactical, operational.

There should be clear roles and responsibilities defined for the process, as well as adequate governance structures. Workforce involved in the process should be sufficiently trained on the process and any systems and decision tools involved.

Together, the tools, process, and people form the organisation's function that supports sound decision making.

Useful resources

The Green Book: <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

Enabling a Natural Capital Approach: <https://www.gov.uk/guidance/enabling-a-natural-capital-approach-enca>

British Water paper on best value decision making: https://cdn.ymaws.com/www.britishwater.co.uk/resource/resmgr/wif_mailings/multicapitals/multi_capitals_briefing_pape.pdf

Investment decision making |
Case Study

UK water industry multi-capitals network

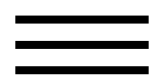
A thought paper was published by the UK water industry in May 2022 to promote best value decision making through a multi-capitals approach⁹.

The paper was the working result of a consortium of organisations including water companies, regulators, and consultants working in the UK and Ireland water sector.

The paper highlights the key factors for the success of a multi-capital approach in the water sector and the next steps to further advance maturity.

A network was set up afterwards to progress the next steps identified in the paper, promoting understanding of the multi-capitals approach, and building capability in value-based decision making in the water sector.





4 High integrity reporting

that drives performance on sustainable outcomes

How to develop this quality

Create a valuable catalyst for innovation and improvement by using total value reporting to reflect openly and clearly on an organisation's impacts.

Sustainability or ESG reporting has always been troubled by headlines such as environmental disinformation, false advertising, and greenwash. However, value reporting can be a means to demonstrate the impacts delivered by an organisation and provide valuable insights upon which future improvement can be built.

The International Integrated Reporting Council, now part of International Financial Reporting Standards, developed the International <IR> Framework, which provides a holistic framework for organisations to communicate on value creation, preservation, and erosion.

The framework helps organisations to understand the stock and flow of capitals they rely and impact upon. Capitals Coalition's Natural Capital Protocol, and Social and Human Capital Protocol also provide a good framework to report the dependencies and impacts of an organisation.

Whichever reporting framework is being used; it is important for organisations to understand and report on both value creation and dependencies across systems and across their stakeholder base.

Through this approach, organisations will gain a greater understanding of where they depend on, create, preserve and erode values.

Organisations should use total value reporting as a tool for improvement, reflecting on where their operations have built and depleted value, and planning future activities to focus on areas where the most sustainable outcomes can be sought.

Year on year, consistent, and transparent reporting will also help in improving data quality and availability in the long run, providing a clear picture of where organisations should focus efforts to create value for stakeholders, while minimising risk.

Useful resources

International <IR> Framework: <https://www.integratedreporting.org/resource/international-ir-framework/>

Natural Capital Protocol: https://capitalscoalition.org/capitals-approach/natural-capital-protocol/?fwp_filter_tabs=guide_supplement

Social and Human Capital Protocol: <https://capitalscoalition.org/capitals-approach/social-human-capital-protocol/>

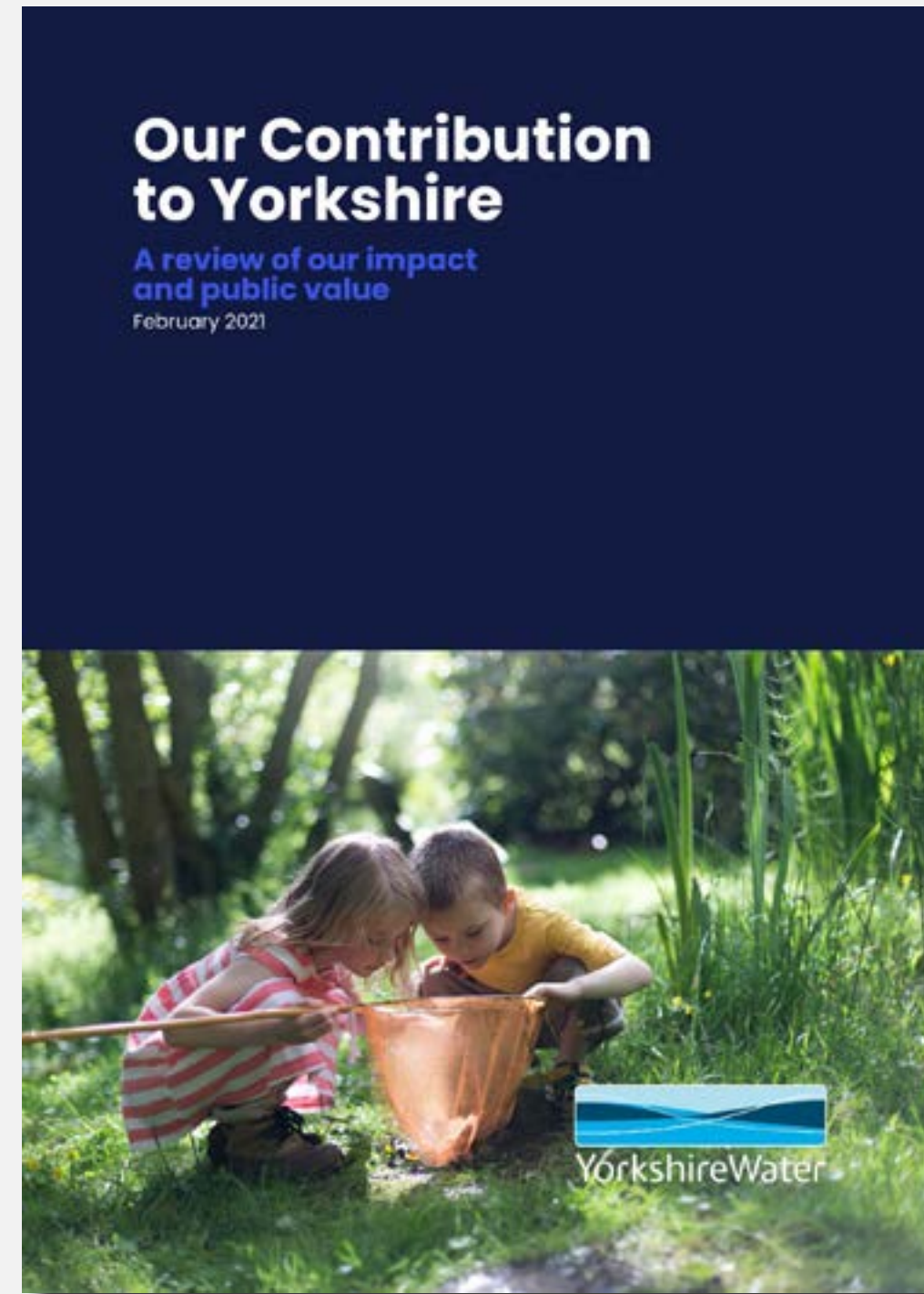
High integrity reporting | Case Study

Yorkshire Water annual impact and public value report

Yorkshire water produces an annual impact and public value report each year to communicate and enhance their understanding of the impact the organisation has on the environment, society, and the economy.

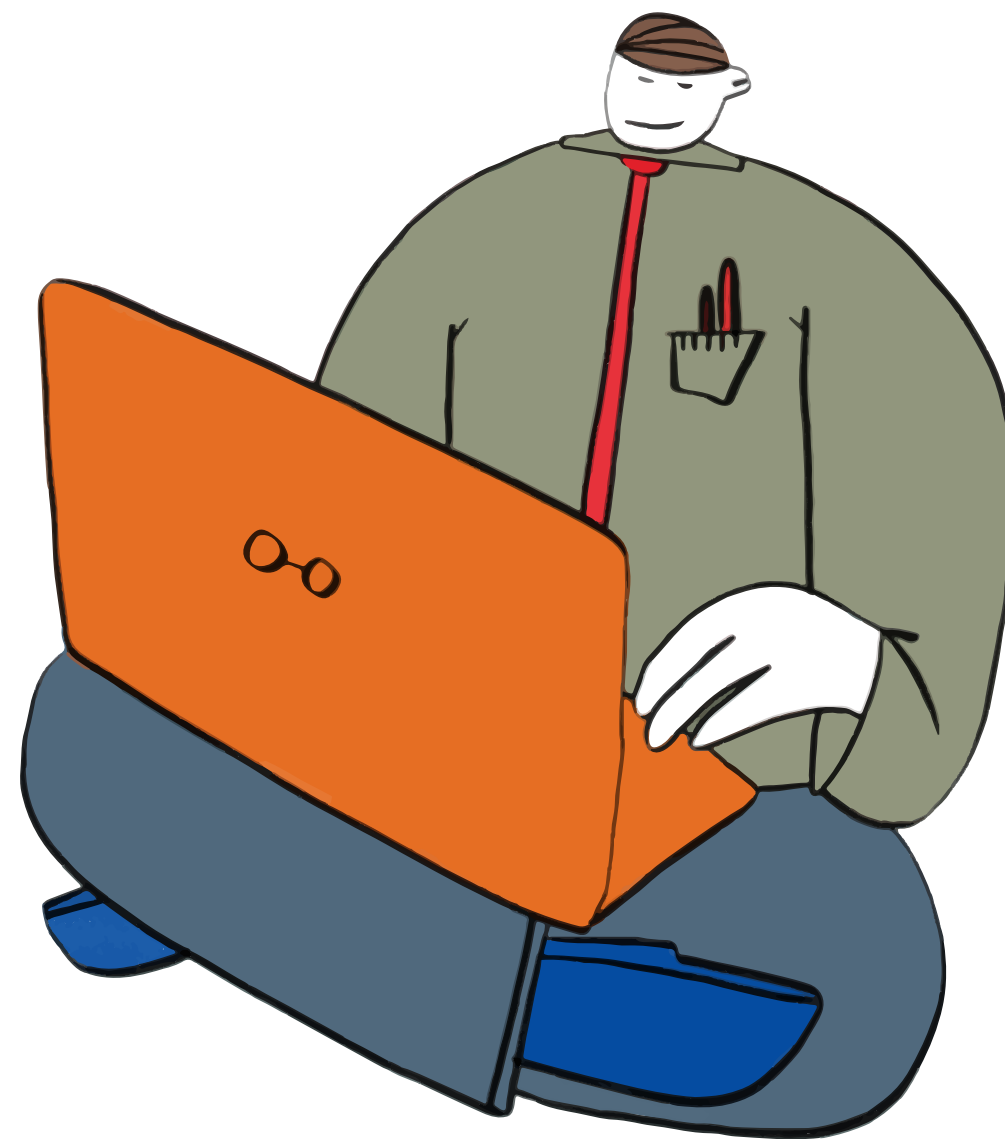
The approach looks beyond the financial balance sheet by applying a mix of accounting, economic valuation, and sustainability techniques to assess impacts across the six capitals, and where appropriate, put a monetary value on those impacts.

The reporting has been on-going since 2015, providing valuable trends and insights for the organisation to further improve on its value creation.



5 Evidence and data

on wider outcomes and performance used to inform future decision making



How to develop this quality

Address the evidence and data gap and use it to inform decision making to unlock solutions that best deliver sustainable outcomes.

Solutions that best deliver sustainable outcomes may be unfamiliar and considered risky as there may be inadequate historical evidence or analysis of risks and benefits.

To mainstream solutions such as low carbon design, circular economy approaches and nature-based solutions, barriers to innovation such as data gaps linked to design, implementation, costs, and performance need to be overcome.

Solutions need to be trialled on the ground to demonstrate effectiveness and risk. Demonstrator projects can generate the much-needed insight, building a robust and shared evidence base that can help remove the barriers associated with these data gaps.

Organisations can also positively seek and build upon the lessons learnt from solutions that have been implemented by others, and use the data and insight generated to improve confidence and inform future decision making.

This will create a circular feedback loop on success and reinforcing best practice.

Actively and generously share learning to help improve evidence and data across whole industry.

At industry level, shared learning is critical to help with benchmarking and moving a whole sector forward.

Generously contributing to this evidence base can help reduce the uncertainty around cost, effectiveness, and implementation, which will contribute to the accelerated roll out of solutions that best deliver sustainable outcomes at scale.

Take the example of nature-based projects, organisations are already stepping forward with large scale trials and sharing their learning to close the evidence and data gap, e.g., Dŵr Cymru Welsh Water's Rainscape Llanelli, Severn Trent's Mansfield demonstrator project, and Environment Agency's evidence directory.

In addition to design and implementation, knowledge gaps around financing and delivery mechanisms are also being addressed through research and pilot schemes on nature market.

In the UK, several pilots are currently running to test this approach, including the Somerset Catchment Market, the Solent Nutrient Market Pilot, and the Bristol Avon Catchment Market.

Evidence and data | Case Study

Working with Natural Processes – Environment Agency evidence directory

In 2021, the EA published an extensive evidence directory related to the effectiveness of nature-based projects called Working with natural processes – evidence directory.

The directory brings together information on nature-based projects from a wide range of sources to provide evidence on how they affect flows, peaks, storage, sedimentation, and geomorphology, as well as wider benefits such as cultural activity, climate regulation and health access.

A confidence rating is provided for the potential effectiveness for each topic, alongside evidence for different catchment scales and watercourse typologies. The directory also gives indication of design life, effectiveness, and maintenance requirements.



6 Influence wider industry

and sector change on sustainable outcomes



How to develop this quality

Be active in creating the right conditions to deliver sustainable outcomes.

Governments and regulators have a crucial role in accelerating the delivery of sustainable outcomes through policy and legislation while organisations can play an active role through the contribution of innovation, evidence, and insights.

Water companies in England and Wales work to a five-year regulatory cycle for their business planning. Their regulators, including Ofwat and the Environment Agency, offer the opportunities for water companies to work collaboratively to develop the focus and methodology for each planning cycle.

Water companies can actively participate in this dialogue through consultation feedback, and channels such as the Future Ideas lab, to help improve price review process and to promote debate around future regulation for the water sector.

Another example is the UK government's endeavour to find more effective solutions to overhaul ecosystem degradation and biodiversity loss. The financing Nature Recovery UK initiative was established with the government's backing, aimed at putting nature onto a sustainable financial path. More than 300 industry leaders from land management, business, finance, and environment sectors contributed to the development of a roadmap to set out how regulations can be modernised to help leverage public expenditure and secure private investment in nature recovery.

Work with others to harness the collective power of industry and influence accelerated market change.

Organisations can work with others, sharing best practice and learning, and use their collective power to influence wider change.

Following lobbying by more than 300 businesses and financial institutions, Heads of State at COP15 agreed that large transnational companies and financial institutions will be required to disclose their biodiversity risks and opportunities¹⁰.

Although not mandatory, the agreement demonstrates the support for disclosure from the private sector and the start of a positive feedback loop where organisations lobby those in power to introduce regulation that drives improvements in the private sector through disclosure.

Useful resources

Financing Nature Recovery UK:

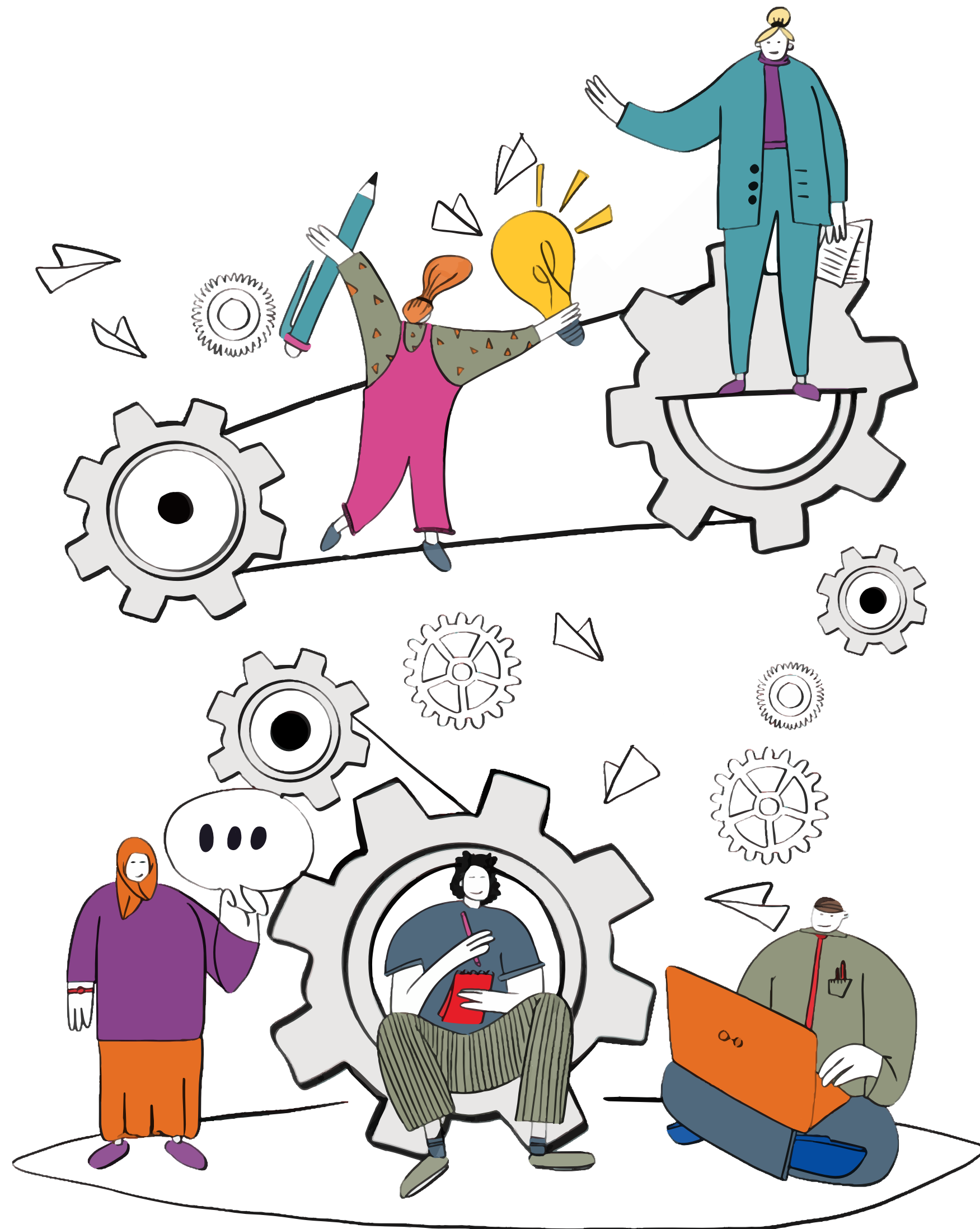
<https://www.financingnaturerecovery.uk/>

Influence wider industry | Case Study

Pilot project in Wales to explore the regulatory framework required for catchment market

Dŵr Cymru Welsh Water, working in collaboration with Arup, the University of Exeter, Wheatley Young Partners, and EnTrade, have engaged extensively with Government, regulators, and other stakeholders in the Usk Catchment to test the feasibility of catchment markets in Wales for the delivery of environmental services. Together, the consortium and stakeholders have explored the regulatory framework required to set up a catchment market in Wales. This includes understanding the mandatory and regulatory drivers for delivering sustainable outcomes from nature-based projects, which outcomes are market ready and how a trading platform could be successfully implemented in Wales. Dŵr Cymru Welsh Water is a great example of an organisation actively and positively contributing to the improvement of policy and regulatory frameworks to enable sustainable outcomes.





No better time to act

There has been growing momentum driven by organisations in the UK and worldwide to recognise the urgency of the significant challenges facing our societies.

This has led to actions to improve the ability and capacity to deliver sustainable outcomes.

Knowledge advancement in how we account for total value in decision making, effort in standardising the way we report, innovative approaches to channel financial resources to fund nature recovery, to name but a few.

However, the delivery of sustainable outcomes is not yet fully embedded as a normal behaviour.

We need more organisations to adopt total value decision making to translate commitments into outcomes.

This requires organisation-wide mindset shift and urgent actions.

We have set out in this paper six qualities organisations practicing total value decision making should adopt and master and have suggested ways to develop each quality.

We would invite organisations to reflect on the actions discussed in this paper and to adopt total value decision making to better deliver sustainable outcomes, to create purposeful, successful, and long-lasting organisations.

Further reading

1 Natural England the Fourth State of Nature Report. Available from: <https://naturalengland.blog.gov.uk/2023/09/29/state-of-nature/>

2 Natural England. How Natural England's Green Infrastructure Framework can help provide better places to live. Available online: <https://naturalengland.blog.gov.uk/2021/12/07/how-natural-englands-green-infrastructure-framework-can-help-create-better-places-to-live/>

3 HM Treasury Final Report – The Economics of Biodiversity: The Dasgupta Review. Available online: <https://www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review>

4 FMJ A drain on UK businesses: the true cost of flooding, and how to prepare. Available online: <https://www.fmj.co.uk/a-drain-on-uk-businesses-the-true-cost-of-flooding-and-how-to-prepare/>

5 UtilityWeek Drought inaction could cost UK economy £1.3bn per day. Available online: <https://utilityweek.co.uk/drought-inaction-could-cost-uk-economy-13bn-per-day/>

6 Institute for fiscal Studies Deaton Review of Inequalities Unequal Britain. Available from: <https://ifs.org.uk/inequality/unequal-britain/>

7 BSI PAS 808: Purpose-Driven Organisations. Available from: <https://www.bsigroup.com/en-GB/standards/pas-808/>

8 Arup and Oxford Economics The Global Green Economy. Available online: <https://www.arup.com/perspectives/publications/research/section/the-global-green-economy-capturing-the-opportunity>

9 WIF Driving best value decision making within the water industry using a multi-capitals approach. Available online: https://cdn.ymaws.com/www.britishwater.co.uk/resource/resmgr/wif_mailings/multicapitals/multi_capitals_briefing_pape.pdf

10 European Commission COP15: historic global deal for nature and people. Available online: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7834



Contact

Lu Yang

Senior Consultant

t: +44 161 602 9376

e: Lu.Yang@arup.com

Steve Lloyd

Director

t: +44 20 7755 4312

e: Steven.Lloyd@arup.com

arup.com