



Report to the Partnership for South Hampshire Joint Committee

Date: **30 September 2020**
Report of: **David Bibby, Principal Planning Officer (Strategy), Test Valley Borough Council**
Subject: **PfSH NUTRIENT NEUTRALITY UPDATE**

SUMMARY

There is evidence of high levels nitrogen and phosphorus in the Solent water environment, including evidence of eutrophication at some internationally designated sites. This must be addressed as required by the Habitats Regulations. The achievement of nutrient neutrality, if scientifically and practically achievable, is a means of ensuring that development does not add to existing nutrient burdens.

This report provides an additional update on recent progress made on the work that PfSH is undertaking with partners to address the issue of achieving nutrient neutrality from development across the sub-region. This follows the previous updates considered by the Joint Committee on 14 October 2019, 10 February 2020 and 7 July 2020 and highlights further progress during summer 2020. In light of the advice from Natural England, the aim continues to be to develop a PfSH wide strategic approach to mitigation in order to achieve nutrient neutral development - and deliver the planned housing development compliant with the Habitats Regulations. Action continues under a number of workstreams as outlined on the report, in order to progress addressing the nutrient neutrality issue, working with key partners and stakeholders.

PfSH has been successful in being provisionally awarded £2m loan by the Solent LEP from the Government's Getting Building Fund, Our bid for funding is one of six successful projects allocated a share of £15.9 by the Solent LEP. This will be used to secure off site mitigation land in order to assist in unlocking the delivery of housing which has been on hold due to the nutrient neutrality issue.

Following agreement from all PfSH member local authorities (and additionally Basingstoke and Deane, Chichester and South Downs National Park) the recruitment of a dedicated resource in the form of a temporary planning officer post will now proceed. This post will work to establish a pilot sub-regional mitigation scheme, together with continuing to work towards a Solent Nutrient Fund as a sub-regional mitigation solution.

For those unfamiliar with the background to the issue, a summary of this was provided as Appendix 1 to the previous report to the Joint Committee on 10 February 2020.

Since the last meeting of Joint Committee 7 July, the following activity has taken place:

- £2m loan as a successful listed project, as part of the funding in principle

allocated to the Solent LEP from the Government's Getting Building Fund - to secure off site mitigation land in order to assist in unlocking the delivery of housing, which has been on hold due to the nutrient neutrality issue.

- Moving towards the recruitment of a dedicated officer resource for PfSH to work on the nutrient neutrality issue and take forward a pilot sub-regional mitigation scheme, including the confirmation of funding from a majority of PfSH members and other affected local authorities.
- Announcement on 11 September by DEFRA (jointly with MHCLG, Natural England and Hampshire and Isle of Wight Wildlife Trust) of a £3.9m online nitrate trading platform
- Discussion between Natural England (NE) and the Environment Agency (EA) on a potential Waste Water Treatment Works (WwTW) permit review, due to recommence
- Completed work on the Integrated Water Management Study (IWMS) addendum update.
- Continued progress in developing and implementing the Hampshire and Isle of Wight Wildlife Trust (HIWWT) mitigation scheme.

This report provides a statement of the position at the time of writing at the end of August. Any further progress will be given as a further verbal update to the meeting.

RECOMMENDATIONS

It is RECOMMENDED that the Joint Committee: -

- a) NOTES that PfSH's bid as a successful listed project (subject to appropriate approvals and quality assurance) for a £2m loan, as part of the funding in principle allocated to Solent LEP from the Government's Getting Building Fund to be used to secure off site mitigation land in order to assist in unlocking the delivery of housing which has been on hold due to the nutrient neutrality issue; and
- b) NOTES the recruitment of a dedicated officer resource as a temporary post to work on the nutrient neutrality issue following confirmation of funding, to take forward a pilot sub-regional mitigation scheme, and continued investigation into determining a sub-regional mitigation solution, including working towards a Solent Nutrient Fund.

SHORT TERM MITIGATIONS - DEALING WITH THE IMMEDIATE ISSUE

1. While the WQWG has continued coordinating the PfSH-wide response to addressing the need for a medium to long-term strategy, individual LPAs are also progressing undertaking their own activity in the short-term. Table 1 in the previous report of 7 July 2020 provided indicative figures demonstrating the current scale of the numbers of houses currently backlogged (either solely or principally) due to the issue. An update to the figures will be provided to the next meeting of the Joint Committee in December.
2. A number of mitigation options continue to be implemented and explored by individual PfSH local authorities, depending upon local circumstances. In some cases these have formal council approval, and also the approval of NE. Some local authorities have also revised their position regarding the issue of nutrient neutrality in the determination of planning applications. Appendix 1 to the previous report set out for each local authority the position regarding potential short-term mitigation options currently in place, or are being investigated. An update will be provided to the next meeting of the Joint Committee in December.

MEDIUM TO LONG-TERM MITIGATION STRATEGY (PfSH ACTIVITY)

Getting Britain Building Fund – Solent LEP Loan Funding

3. The Solent LEP has in principle been allocated £15.9m funding from the Government's Getting Building Fund (GBF), which must be spent by March 2022. Following an invitation to submit a further bid for funding, PfSH's bid is one of six provisionally successful listed projects and has been identified for a £2m loan. This funding is subject to the outcome of a quality assurance process, decision of the Solent LEP Board, as well as the formal release of the money by Government and any requirements from Government in relation to the funding, details of which are awaited. Overall funding for England under the GBF totals £900m to be delivered through LEPs and Mayoral Combined Authorities to deliver jobs, skills and infrastructure across the country. Investment is being targeted in areas facing the biggest economic challenges as a result of the pandemic and is to support the delivery of shovel-ready infrastructure projects to boost economic growth, and fuel local recovery and jobs.
4. The funding will be used towards securing the purchase of off site mitigation land in order to assist in unlocking the delivery of housing which has been on hold due to the nutrient neutrality issue. Whilst this will not in itself provide sufficient provision for the full current amount of mitigation needed and further measures are still required to resolve the issue, it provides a great start and will make a significant contribution towards addressing the current backlog and provide increased momentum in bringing forward future land based mitigation solutions. Over time this is expected to provide a major element of the necessary mitigation needed as part of a wider suite of various mitigation solutions involving different partners within a future Solent Nutrient Fund. Discussions with the Solent LEP are ongoing about the mechanism that will need to be used to fund this mitigation.
5. It is anticipated that mitigation land purchased with the proceeds of the award will facilitate the building of c1,523 new housing units. The July report to Joint Committee set out that 1,314 units are backlogged solely due to this issue. The loan that will be paid back via developer contributions purchasing nutrient credits. The Solent LEP has confirmed that their preference is to contract with the HIWWT as the delivery body to directly provide the mitigation. PfSH will therefore work closely with HIWWT, and as the promoter of the bid will seek to ensure that which development sites are prioritised to access the mitigation provided, is determined by agreement

between PfSH and the HIWWT. The LEP has advised that the mitigation land purchased with the award can be used for development sites which would be of benefit in supporting the Solent economy.

6. The provision of mitigation to be delivered through the loan funding will be implemented as a first phase, alongside the work to be undertaken by a temporary planning officer post in establishing a pilot sub-regional strategic mitigation scheme in moving towards a strategic solution delivered through a future Solent Nutrient Fund.

Strategic Environmental Planning Officer to establish a pilot sub-regional strategic mitigation scheme

7. Following the agreement of the Joint Committee at its meeting on 10 February to investigate options for a dedicated officer resource for PfSH and further consideration of this issue at its 7 July meeting, work has since been undertaken in progressing towards recruitment of a temporary post. All PfSH members (and additionally Basingstoke and Deane, Chichester and South Downs National Park) have confirmed funding. The role was advertised on 4 September with interviews expected to take place in October. The post will be at Principal Planner level and is envisaged as a 12 month contract, which will be hosted by Fareham. There is the option of the post being a secondment opportunity from within a PfSH member authority.
8. The focus of the role will be to work on the nutrient neutrality issue, conforming with Habitats Regulations and internationally designated site matters - reflecting the specialist nature and workload volume being recruited to. The aim is to reach the stage of having developed a PfSH-wide strategic approach to mitigation in order to achieve nutrient neutral development and deliver the planned housing development to meet needs, compliant with the Habitats Regulations.
9. With regard to the scope of the role a number of specific tasks to be undertaken were detailed in the report to the 7 July meeting.
10. Work on a scoping exercise on how a pilot scheme could be developed alongside devising a PfSH-led mitigation strategy (including the implementation of nutrient mitigation measures) has continued - and will be taken forward by the postholder. The postholder will have the responsibility to prepare a PfSH wide strategic approach to deal with the nutrient neutrality issues in the context of broader environmental outcomes and to take forward a pilot scheme to test how this would operate. They will work in liaison with PfSH POG and the WQWG which includes representation from Basingstoke and Deane, Chichester and South Downs NPA which are also making financial contributions to fund the post alongside PfSH members.

Solent Nutrient Fund – Nutrient Mitigation Credit Scheme as sub-regional strategic mitigations solution

11. As reported to the 7 July meeting, PfSH has obtained agreement 'in principle' from a majority of members to contribute to a Solent Nutrient Fund to pump prime investment need to the implementation of a land use change nutrient mitigation credit scheme. Such funding would be used to purchase credits for the individual authority concerned and would be paid back by developer contributions, as future development takes place. The dedicated officer post will have a key part in rolling this out and its initial management, including consideration of potential governance and operational arrangements (including a framework for the fair allocation of nutrient credits), and working with a range of partners to deliver mitigations. Officers

will continue to investigate how this could work in practice as informed by the pilot scheme as part of the work of the dedicated officer.

12. We will also continue to explore other streams of funding for mitigations, for example sending a submission to HMT outlining a narrative to influence the Comprehensive Spending Review 2020 and maintaining a watching brief on the outstanding EA legal action against Southern Water (paragraph 15 below refers) and exploring with Solent LEP whether further funding may be available.

Natural England (NE) and the Environment Agency (EA) – WwTW N Permit Limits

13. In light of the Coronavirus pandemic discussions between NE and the EA on the consideration of a new WwTW permit review (taking account of the latest advice and evidence submitted to the EA by NE in December) had been on hold since spring, as the EA had to prioritise work on other critical responsibilities. It is now expected that these can recommence.
14. The most recent such review was in 2007 and a further review is not currently scheduled until 2024 at the earliest. NE and EA are working together to understand the likely timescales, but no further information on a potential timetable has been given. If a favourable decision is taken to do so, then it is likely to be many further months for the review itself to be undertaken. A review would be a major undertaking and require significant resources.

Engagement with central government

15. On 7 April Cllr Woodward made representations to the Secretary of State (MHCLG) to express disappointment over Ofwat's decision not to allocate the proceeds of the fines it imposed on Southern Water for the purposes of nutrient mitigations and environmental improvements. Instead, Ofwat directed Southern Water to reimburse its customers. Cllr Woodward also referenced the separate and ongoing legal action brought by the Environment Agency against Southern Water for the environmental damage caused by breaches of its discharge limits - and made representations in support of the possibility of any *further* fines being allocated to nutrient mitigation measures (Southern Water has entered into a guilty plea to all of the Environment Agency's charges). To date, no response has been received and PfSH wrote to MHCLG and DEFRA officials on 25 August to facilitate a formal reply. Notwithstanding that, the outcome of the Environment Agency's own legal action remains outstanding and we maintain a watching brief.
16. MHCLG and DEFRA officials continue to be invited to meetings of the PfSH Planning Officers Group and last attended the June meeting. Their updates generally tend to focus on wider government initiatives that may assist in helping to resolve the issue long-term, and have highlighted the Secretary of State's July speech on Environmental Recovery in which he trailed an autumn launch of a consultation on changing the approach to environmental assessment and mitigation in the planning system.
17. On 11 September a joint DEFRA, MHCLG, Natural England and Hampshire and Isle of White Wildlife Trust press release announced the roll out of a £3.9m online nitrate trading platform for Hampshire. A copy of the text is attached at **Appendix 1**. While the announcement is very welcome, PfSH officials were not consulted in advance of it. Our point of contact in DEFRA has advised that *'unfortunately we had not been able to discuss the trading platform pilot project with PfSH to date as we had been waiting on HMT to confirm the funding and then approval to make this public. However, now that it has been announced we are keen to work closely with PfSH to implement this exciting pilot project and align this work with your wider emerging plans. We are planning to recruit an engagement lead and we have always*

anticipated a need for close working with the incoming PfSH [Strategic Environmental Planning] officer - we look forward to agreeing how that would work best.'

18. Going forward, PfSH officers think it sensible to work closely with DEFRA to look at how the work referenced fits in with the work that PfSH authorities and partners are already doing as part of their longer term wider strategy - and picks up the wider nutrient strategy and other environmental issues too. At time of writing DEFRA officials will be attending the meeting of the PfSH Planning Officers Group on 18 September to outline the scheme to them in more detail and look at ways of working together with PfSH's own nutrient mitigation plans. An update on the outcome of that discussion will be provided orally at the meeting of Joint Committee 30 September.

Integrated Water Management Study (IWMS) - Addendum Update

19. Work on the update to the 2018 IWMS has continued and a further technical note has been prepared. It is expected that the IWMS Addendum Update will be the subject of a future report to the Joint Committee. The intention is for this work to be kept under review and feed into the future work of the WQWG. It could also assist in informing future investment in wastewater infrastructure and any future WwTW permit review.

Hampshire and Isle of Wight Wildlife Trust (HIWWT) – mitigation scheme

20. The mitigation scheme developed by the Hampshire and Isle of Wight Wildlife Trust (HIWWT) operates on a credit system with a cost per kilogram of nitrogen to be offset. Land is purchased and taken out of agricultural production and an individual development is recorded as being offset by a particular parcel of land. Following completion of the first private land purchase on the Isle of Wight, the HIWWT continues to seek to identify and purchase appropriate land to further progress the scheme, in different catchment areas.
21. The HIWWT mitigation scheme, together with other similar schemes are likely to form part of a suite of mitigation measures will be used, potentially in combination, with the choice of measure(s) being dependent upon the nature, size and location of the development. Consideration of these issues will form part of the investigation work to be undertaken by the dedicated officer in progress the scope of a strategic mitigation scheme.

CONCLUSION

22. PfSH's bid for funding is one of six successful listed projects and has been identified for a £2m loan, as part of the £15.9m funding which has in principle been allocated to the Solent LEP from the Government's Getting Building Fund. This will be used to secure off site mitigation in order to assist in unlocking the delivery of housing which has been on hold due to the nutrient issue.
23. In light of confirmation of funding in response to the requests made from PfSH members and other affected local authorities, the recruitment of a dedicated officer resource in the form of a temporary planning officer post will now proceed. This post will work to establish a pilot sub-regional mitigation scheme, together with continuing to work towards a Solent Nutrient Fund as a sub-regional mitigation solution.
24. Action continues under a number of workstreams as outlined on the report, in order to progress addressing the nutrient neutrality issue, working with key partners and stakeholders. A further update will be provided to the next meeting of the Joint Committee in December, including an update on the backlog of housing on hold due to the nutrient neutrality issue and on individual local authorities' mitigation solutions.

RECOMMENDATION

It is RECOMMENDED that the Joint Committee: -

- a) NOTES that PfSH's bid as a successful listed project (subject to appropriate approvals and quality assurance) for a £2m loan, as part of the funding in principle allocated to Solent LEP from the Government's Getting Building Fund to be used to secure off site mitigation land in order to assist in unlocking the delivery of housing which has been on hold due to the nutrient neutrality issue; and
- b) NOTES the recruitment of a dedicated officer resource as a temporary post to work on the nutrient neutrality issue following confirmation of funding, to take forward a pilot sub-regional mitigation scheme, and continued investigation into determining a sub-regional mitigation solution, including working towards a Solent Nutrient Fund.

Appendices: Appendix 1 - Wildlife protection plan to unlock Hampshire Housebuilding Trailblazing new government-backed scheme to benefit both people and wildlife in the Solent.

Background Papers:

Item 11: PfSH Nutrient Neutrality Update, 7 July 2020 Joint Committee

Item 9: PfSH Nutrient Neutrality Update, 10 February 2020 Joint Committee

Item 8: PfSH Nutrient Neutrality Update, 14 October 2019 Joint Committee

Item 7: PfSH Nutrient Neutrality Update, 31 July 2019 Joint Committee

Item 10: South Hampshire Integrated Water Management Study, 5 June 2018 Joint Committee

Item 10: South Hampshire Integrated Water Management Study, 28 March 2018 Joint Committee

Reference Papers:

None

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Wildlife protection plan to unlock Hampshire housebuilding

Trailblazing new government-backed scheme to benefit both people and wildlife in the Solent.

Defra has today (11 September) announced £3.9 million to unlock housing growth in south Hampshire in a scheme that will reduce harmful nitrates and aid wildlife recovery.

Housing growth has stalled in the Solent area for over a year due to concerns that nitrates were causing a range of negative environmental effects. These include excessive growth of green algae which smothers and damages rare habitats and wildlife, including the Solent's internationally protected estuaries, salt marshes and seagrass beds, as well as protected birds including curlews.

The government will invest £3.9 million in the first-of-its-kind project to set up an online 'nitrate trading' auction platform. Through this, housing developers will buy credits to create new habitats such as meadows, woodlands and wetlands - which will prevent harmful levels of nitrates from new housing from reaching the Solent's rare wildlife and habitats. This will also provide more outside spaces as part of government ambitions for a green, nature-based recovery from coronavirus.

Alongside this, a new nature reserve at Warblington Farm – a site covering 60 hectares of new woodlands and wetlands - opened this week, which will be funded through the credits which housing developers purchase. The new farm will help remove nitrates and in turn reduce pollution impacts on the Solent.

Environment Minister Rebecca Pow said:

'I am thrilled to announce this funding which uses nature-based solutions to alleviate the housing pressure in the local area. Not only will this innovative scheme unlock thousands of much-needed homes for the local area, but it will provide habitat rich areas for wildlife in a true win-win.'

'As the nation recovers from coronavirus, it's more vital than ever that we build back greener, and this project will also help people connect with nature by providing more green spaces for them to enjoy.'

Natural England played a key role in providing expert advice for the innovative scheme, including helping to select suitable sites to create new areas for habitat creation.

Natural England Chair Tony Juniper added:

'This is a beautiful part of Hampshire, rich with wetlands, coastal inlets and shingle beaches, and it's no wonder that more people wish to live in the area, creating demand for new homes. More people does, however, mean more nitrogen getting into the environment, and this is causing the growth of green algae 'mats' in the Solent, affecting protected habitats and wildlife along the south coast.'

'This innovative new scheme that Natural England has helped design will not only help nature's recovery in the area, but also address the historic demand for new housing around the Solent.'

'It is but one example of how it is possible to find solutions to apparently intractable challenges, and to fund them, meaning that we can build more homes while at the same

time protect and enhance the rich and varied wildlife of this unique area. It also reveals how it is possible to harness regulation in a positive way, to create incentives for the recovery of the local natural environment, in turn benefiting people living in the area.'

The nitrate trading platform pilot will be rolled out over the next two years and delivered jointly with the Ministry for Housing, Communities and Local Government; Natural England; and the Environment Agency.

Housing Minister Christopher Pincher said:

'Building the homes the country needs is central to the mission of this government and is an important part of our plans to recover from the impact of the coronavirus.'

'This innovative project will deliver new homes while protecting and enhancing our natural environment for today, and for future generations.'

'Defra is also currently in discussions with the Hampshire and Isle of Wight Wildlife Trust about a potential loan to purchase further land for the scheme.'

Debbie Tann, CEO of Hampshire and Isle of Wight Wildlife Trust, said:

'Nitrate pollution in the Solent wreaks havoc with our vital marine ecosystems, suffocating the life out of our seas. This is a really critical issue and, until recently, every new house built simply added to the pressure.'

'Now, thanks to Natural England and Defra, we are taking important steps towards addressing this problem – ensuring that houses can only be built if the nitrate impact is properly addressed. We are delighted that government is supporting our nature-based solution and this funding will enable us to create wonderful new nature reserves for wildlife at the same time as helping to clean up our environment.'

If the pilot is successful, it could be extended and rolled out to a number of other areas, providing a vital wider application to other parts of England. This will also inform the government's wider work on market-based solutions to environmental issues – such as carbon offsetting, biodiversity net gain, water quality and flood risk management.

The announcement builds on the [Environment Secretary's recent speech](#) where he set out a £5m pilot to establish a new Natural Capital and Ecosystem Assessment. This will improve the baseline understanding of habitats and species abundance across the country in every planning authority, in order to make the best decisions towards achieving the government's vision to leave the environment in a better state than we found it. This will better protect species and habitats and ensure that new developments really do mean net gain for people and for nature.

Today's move also builds on the [government's landmark Environment Bill](#) which will tackle the biggest environmental priorities of our time, including introducing biodiversity net gain, which will ensure that the new houses we build are delivered in a way which protects and enhances nature.

ENDS