Report to the Partnership for South Hampshire Joint Committee

Date: **05 March 2025**

Report of: **David Balding, Interim Programme Manager**

Subject: **DEPLOYMENT OF THE LOCAL NUTRIENT MITIGATION FUND IN 2025**

SUMMARY

This report provides an update on the Local Nutrient Mitigation Fund (LNMF) Round 1 capital programme, sets out the proposed capital programme for monies received from Round 2 of the LNMF, and requests spending authorisation from both the capital and revenue elements of the LNMF Round 2.

RECOMMENDATION

It is recommended that the Joint Committee:-

a) NOTES the contents of this report;

b) APPROVES the proposed £6.93M capital programme funding allocation from Round 2 of the Local Nutrient Mitigation Fund (LNMF);

c) APPROVES the carryover of the £224,498 revenue funding allocation from the LMNF Round 2 award and £200,000 from Nutrient Support Fund to 2025/26; and

d) AGREES to delegate detailed spending authorisation, within the agreed capital and revenue allocations, to the lead PfSH Chief Executive, in consultation with the Chair of the Joint Committee, PfSH Monitoring Officer, Fareham Borough Council's Section 151 Officer and following consultation with the wider PfSH Chief Executives Group.

1. Background

1.1 The Nutrient Mitigation Update Report to Joint Committee dated 27 July 2021, along with numerous other reports provided to Joint Committee previously, provided a general background to nutrient neutrality in the context of the local authorities around the Solent. Additionally, the PfSH website (www.push.gov.uk) has recently been updated to provide a much fuller background to local nutrient neutrality issues. The website update also draws together relevant information and guidance in a more accessible form.

1.2 In January 2025, Fareham Borough Council (FBC) - acting as lead local planning authority for the Solent catchment area - was awarded £6,930,000 in capital funding by the Ministry for Housing, Communities and Local Government through the LNMF, these funds are in relation to Round 2 of the LNMF and are in addition to the funds received in January 2024. In addition to the capital funding, £224,498 of revenue funding was also received to support deployment of the fund and to aid with capacity funding.

2. Local Nutrient Mitigation Fund - Round 1 progress update

2.1 In addition to delivery of the first mitigation project at Stubbington, legal agreements, sales processes and auditing functions are now in place to enable us to deliver nutrient credit sales for all currently proposed and future projects. This work culminated in the first credit sale and first home unlocked through the fund in December 2024.

2.2 Along with the successful set up of the first mitigation project at Stubbington, and sales process, work is now concentrated on delivery of the sewerage infrastructure upgrade project in Winchester. Following adjustment to the Round 1 capital programme by Joint Committee in December 2024, procurement of 11 replacement treatment plants is currently underway with delivery expected to be in Summer to Autumn 2025. It is anticipated that this project will deliver much needed mitigation to the River Itchen catchment, with a particular focus on phosphate mitigation for the mid Itchen.

2.3 Joint Committee will receive a full review of all projects and income in relation to the LNMF Round 1 Capital Programme at the meeting following the end of the 2024/25 financial year. This will also meet the requirements of the legal agreement between authorities related to the fund, which requires an annual report on all projects deployed through the fund.

2. Local Nutrient Mitigation Fund – Round 2 Award

Capital Expenditure

2.1 The Solent area received a further £6,930,000 in capital grant funding. The addition of the LNMF Round 2 funds into the capital programme has been assessed in the context of projects successfully delivered to date, and the relative supply and demand position for nutrient credits across the Solent.

2.2 The existing current private market, now supplemented by emerging schemes from the LNMF Round 1 capital programme, provides sufficient mitigation to satisfy the majority of short-term growth across the sub-region. This provides an opportunity to use the LNMF Round 2 fund and future income streams from LNMF Round 1 projects' credit sales more strategically and move towards a more diversified mitigation offering.

2.3 MHCLG has provided the funding to deliver outcomes to ensure dedicated resource to respond to house-building stalling resulting from nutrient pollution. The funding needs to be deployed to deliver nutrient mitigation interventions across the six Solent catchments at pace, with PfSH and other partners making reasonable endeavours to do so within 2024/25, unblocking over 6,700 homes within 24 months and at least 10,000 in the long term. It is specified in the MOU that returns from the LNMF will be reinvested locally on nutrient mitigation programmes until nutrient mitigation is no longer required.

2.4 The focus will be on creating additional nutrient mitigation supply at a catchment level but the positive position regarding current nutrient mitigation supply also allows us to undertake more complex projects that provide potential for additional environmental benefits. Following assessment as outlined above, it is proposed that the LNMF Round 2 capital funds be allocated as follows:

Scheme:	Solent wide private wastewater treatment works upgrade		
Description:	To create a framework to engage a contractor(s) that will identify, design and upgrade privately owned Wastewater Treatment Works sites in the Solent area to create Nutrient Credits, both Nitrogen and Phosphorus. As this is targeted at Solent wide it would cover all catchments, and every local authority covered by the Inter Authority Agreement would be a benefiting party to this scheme. This scheme is designed to run for many years so can deliver at pace if any changes to catchment mitigation is required by Natural England.		
LNMF R2 Budget allocation:	£3.4m	Estimated budget allocation from future credit sales income:	£2m
Catchment:	East Hampshire, Test and Itchen (Total Nitrogen), Itchen (Total Phosphorus), New Forest Rivers, Western Streams		
Delivery Confidence:	High – Discussions are already underway with FBC procurement team to create a framework.		

Scheme:	Basingstoke and Deane Borough Council wastewater treatment works upgrade

Description:	Deliver 3 wastewater treatment works upgrades in the Basingstoke and Deane Borough Council area which will provide much needed phosphorus credits in the north of the Itchen catchment. A feasibility study will be completed to see if each tank upgrade is viable.
LNMF R2 Budget allocation:	£600,000
Catchment:	Test and Itchen (Total Nitrogen), Itchen (Total Phosphorus)
Delivery Confidence:	High – Feasibility study has already been commissioned with Basingstoke and Deane Borough Council (an Inter Authority Agreement signatory).

Scheme:	Winchester Test and East Hampshire wastewater treatment works upgrades		
Description:	To complete an upgrade programme to Winchester's remaining wastewater treatment works in the Test and Itchen (Total Nitrogen), and East Hampshire Catchments. Currently only Nitrogen credits are required in the 2 catchments that this scheme will be deliver in. A viability study alongside the feasibility work will determine which tanks should be upgraded with only cost neutral or positive schemes being undertaken.		
LNMF R2 Budget allocation:	£1m	Estimated budget allocation from future credit sales income:	£800k
Catchment:	East Hampshire, Test and Itchen (Total Nitrogen)		
Delivery Confidence:	High – possibility that this scheme could use the Solent Wide framework.		

Scheme:	Local authority 'Quick Wins' pilots

Description:	Undertake a review of how Council projects, land and infrastructure can be used to generate nutrient credits. An initial budget of £50k will be used for discovery and requesting scientific advice from various source to help justify the approach. Allocation of £150k for design, feasibility and piloting of a scheme by selected local authorities to understand the nutrient benefits and public good to roll them out to all Authorities in the Solent. When the projects are rolled out to all Authorities they will be delivered from future credit income.
LNMF R2 Budget allocation:	£200,000
Catchment:	East Hampshire, Test and Itchen (Total Nitrogen), Itchen (Total Phosphorus), New Forest Rivers, Western Streams, IOW
Delivery Confidence:	Low to Medium – This will require technical work to ensure projects are feasible and local authority support to fully deliver proposals.

Scheme:	New Wetlands		
Description:	Identify a site (or sites) to build a public space wetland within the catchment. This is a long-term scheme as feasibility work will require at least 2 years water quality data collection. The overall budget will be close to £1.5m, with £200k LNMF Round 2 funding to undertake the feasibility and an estimated £1.3m for delivery taken from income.		
LNMF R2 Budget allocation:	£200,000	Estimated budget allocation from future credit sales income:	£1.3m
Catchment:	Priority would be given to Itchen (Total Phosphorus) but Western Streams, East Hampshire or Test and Itchen (Total Nitrogen) would be considered		
Delivery Confidence:	High – Sites have been identified that could be developed into a wetland. Technical assessments and subsequent potential for abortive works will be most challenging aspect of the scheme.		

Scheme:	Working with land
Description:	Work with local wildlife trusts, utility companies and local farmers' groups to undertake catchment assessments and contract to deliver on nutrient and water quality improvement opportunities such as buffer strips, sediment traps and other nature-based nutrient solutions. Contract over the long term with landowners to remove nutrients from their land or change current activities on land. If this scheme is successful a second or third phase of contracts could be issued using funding allocated from the income of the credit sales.
LNMF R2 Budget allocation:	£850,000
Catchment:	East Hampshire, Test and Itchen (Total Nitrogen), Itchen (Total Phosphorus), New Forest Rivers, Western Streams
Delivery Confidence:	Medium – This will require substantive legal work and the sourcing of appropriate pilot projects

Scheme:	Reduction in intensive agriculture
Description:	Provide a relatively small fund to support reduction in intensive agriculture schemes that could not be funded through the LNMF Round 1 capital programme.
LNMF R2 Budget allocation:	£630,000
Catchment:	East Hampshire, Test and Itchen (Total Nitrogen), Itchen (Total Phosphorus), New Forest Rivers, Western Streams
Delivery Confidence:	High – similar schemes have already been delivered

Scheme wide support fund	
Description:	An allocation of funds to support research studies and Natural England engagement which benefits all schemes both in LNMF Round 1 and Round 2
LNMF R2 Budget allocation:	£50,000

Revenue Expenditure

2.5 In addition to the LNMF Round 2 capital funding, additional revenue funding of £224,498 and £200k Nutrient Support Fund has been provided. It is intended that this funding be employed to support delivery of the capital programme over financial year 2025 / 26, ensuring that local authorities are paid for time and resources employed to support the delivery of the capital programme, including the supply and demand analysis work. It is proposed to allocate £50k to PfSH Planning Officers Group to commission further work gathering evidence of the impacts and opportunities presented to the Solent region by nutrient neutrality requirements. Any remaining revenue funds from 25/26 will be carried over to support capital delivery in 2026/27.

Spending Authorisations

2.6 In line with the delegation of LNMF Round 1 funds it is proposed that LNMF Round 2 fund and the Nutrient Support Fund spending authorisations, within the agreed capital and revenue allocations set out in this report, be delegated to the lead PfSH Chief Executive, in consultation with the Chair of the Joint Committee, PfSH Monitoring Officer, Fareham Borough Council's Section 151 Officer and following consultation with the wider PfSH Chief Executives Group.

Any new schemes or delivery approaches will return to Joint Committee for further authorisation.

RECOMMENDATIONS

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ENQUIRIES:

For further information on this report please contact:-

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