Report to the Partnership for South Hampshire Overview and Scrutiny Committee

Date: **3 December 2025**

Report of: **Rachel Jones, Solent Mitigation Partnership Manager**

Subject: **Solent Mitigation Partnership – Project Update Report**

SUMMARY

The Solent Mitigation Partnership (SMP) Annual Report was last presented to PfSH Overview and Scrutiny Committee and Joint Committee in July 2025. This report provides an update on the projects being delivered by the SMP and seeks agreement for the budget request for team resources from 1 April 2026 to 31 March 2027. It also covers updates on new legislation and a forthcoming pricing strategy.

RECOMMENDATIONS

It is RECOMMENDED that the Overview and Scrutiny Committee:-

i) NOTES the contents of this report

ii) NOTES that Joint Committee will be asked to:

(a) NOTE the content of this report

(b) AGREE the budget request of £438,368 for team resources from 1 April 2026 to 31 March 2027

(c) NOTE that a report on pricing will be presented to PfSH Joint Committee in March 2026.

iii) CONDERS any comments that should be passed to Joint Committee for its consideration.

PLEASE NOTE this report is a draft version of the PfSH Joint Committee report and is subject to change before being considered by the PfSH Joint Committee. The final report will be published ahead of the PfSH Joint Committee.

1. Background

1.1 Following a successful bid for central government funding in 2023 and 2024 (Local Nutrient Mitigation Fund (LNMF)), the Solent Mitigation Partnership (SMP) was set up by PfSH to manage the creation and sale of nutrient mitigation credits to enable new housing development. Fareham Borough Council acts as the Lead Authority and the governance arrangements are agreed via the Inter Authority Agreement (IAA) signed by all local authority beneficiaries.

1.2 The SMP is delivering high-integrity nature-positive solutions that safeguard the internationally important habitats of the Solent whilst enabling urgently needed new housing. In partnership with the PfSH and Inter-Authority Agreement authorities, SMP is working on projects across the Solent and delivering wider benefits for communities and wildlife.

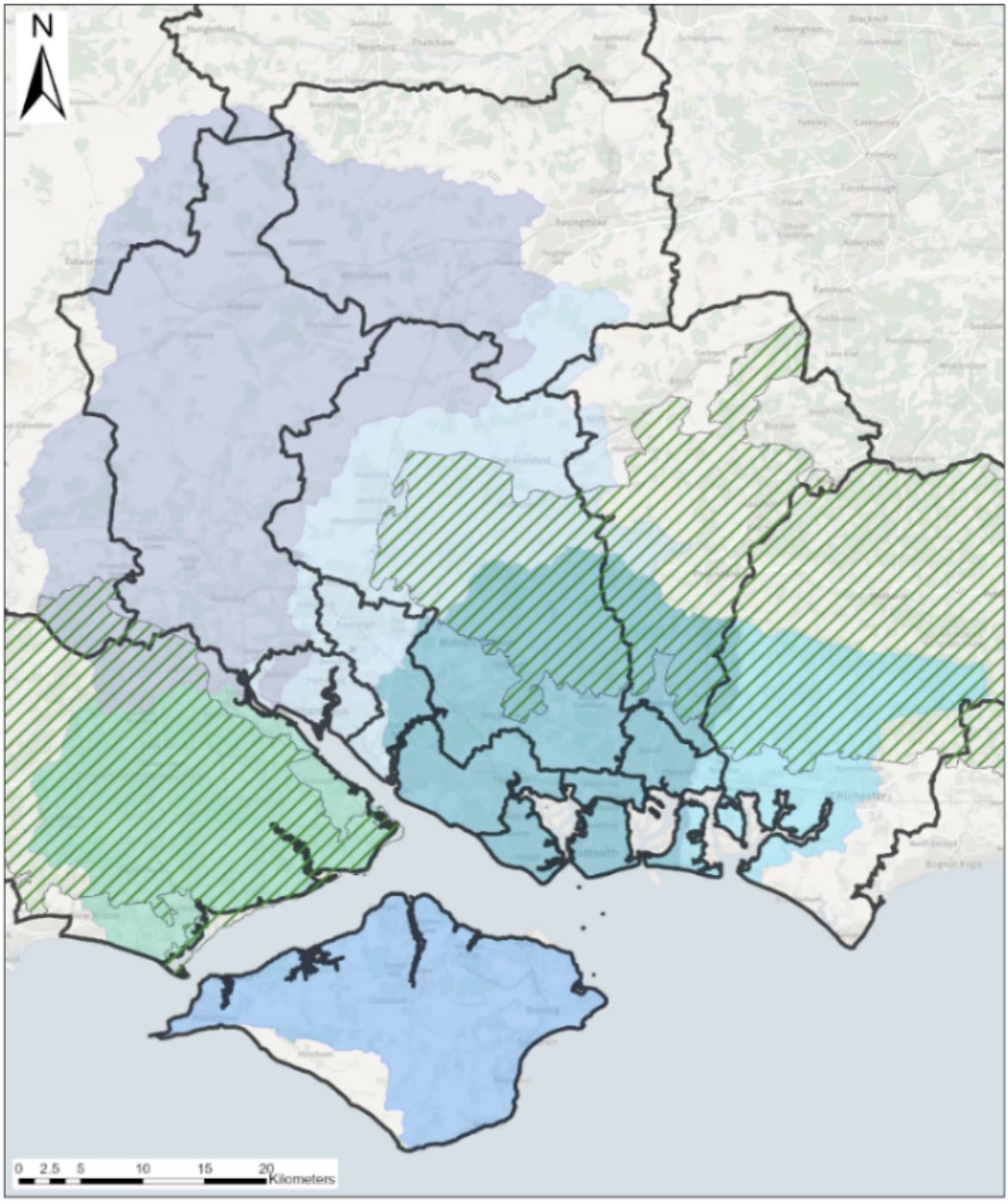
1.3 The report provides an update on the key projects that are the focus for the team currently and extending into the next financial year. It also covers changes coming forward from new legislation and provides an update on a new pricing strategy that is in progress to aid delivery.

1.4 For the purposes of this report and the recommendations brought to Joint Committee, Basingstoke and Deane Borough Council, Chichester District Council, Isle of Wight Council and Wiltshire Council (but not South Downs NPA) are entitled to participate and vote and accordingly have been invited to the meeting.

2. Project Updates

2.1 The Solent region consists of six nutrient neutrality catchments which extend across local authority boundaries (Figure 1). Mitigation projects are required in five of the six catchments to facilitate new housing development. The location and scale of the mitigation project delivery for the SMP is led by the analysis of the housing demand and mitigation supply work. The only catchment where no interventions are needed is the Isle of Wight Rivers (Nitrogen), although this remains under review. The main areas of housing growth on the Isle of Wight have no nutrient neutrality requirement and private mitigation projects are available for other windfall housing areas.

Figure 1 – Solent nutrient neutrality catchments



Legend

- Local Authorities
- National Parks
- Western Streams
- River Test
- New Forest Rivers
- River Itchen Catchment
- Isle of Wight Rivers
- East Hampshire Rivers

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2.2 Table 2 summarises the projects currently in progress in the team.

Table 2 – Solent Mitigation Partnership – Update on key projects

Catchment	Project	Details	Status
East Hampshire Rivers (Nitrogen)	Agricultural Reversion - Stubbington Phase 1	Sales for Nitrogen commenced. Hampshire and Isle of Wight Wildlife Trust Partnership Agreement in final stages. Biodiversity Net Gain unit sales will commence once legal agreements complete.	Open
	Agricultural Reversion - Stubbington Phase 2	Short term contractor to start habitat restoration early 2026. Awaiting completion of sales for Phase 1 before we commence sales for Phase 2.	Open
Test River (Nitrogen)	Agricultural Reversion - Test Valley	Land purchase in Test Valley progressing as expected. Anticipated completion Dec 2025.	In progress
	Small Sewage Upgrades - Basingstoke and Deane	Business case being finalised.	Feasibility
Itchen River (Nitrogen and Phosphorus)	Small Sewage Upgrades - Winchester	One project complete. Next priority projects in progress.	In progress
	Small Sewage Upgrades - Basingstoke and Deane	Business case being finalised.	Feasibility
	Solent-wide householder septic tank upgrades – Solent-wide project	Exploring feasibility of targeted pilot in Upper Itchen.	Early exploration
New Forest Rivers (Nitrogen)	Septic tank upgrades – targeted project	Small-scale targeted project in New Forest, part of partnership approach with Freshwater Habitats Trust.	Feasibility
Western Streams (Nitrogen)	Water efficiency - targeted project, Chichester City	Exploring targeted water efficiency project in Chichester.	Early exploration
All catchments	Water efficiency - Council-owned properties	Fareham, Portsmouth, Gosport, Southampton, Winchester and New Forest DC installing water efficiency measures in council-owned stock.	In progress

3. Team resource budget

3.1 The work programme from April 2026 to March 2027 will expand the mitigation project delivery across the region, driving sales for existing schemes and diversifying the project portfolio to take forward the pilot householder septic tank upgrade programme and possibly a new water efficiency project in Chichester.

3.2 The agricultural reversion projects will continue to progress both capital works and broader habitat creation. Over time, works will transition to routine operations with ongoing monitoring and reporting. The team is also working with Winchester and Basingstoke councils to upgrade small sewage treatment works.

3.3 Delivering the householder septic tank upgrade programme is resource-intensive, requiring setup support from procurement and legal teams, and managing many small projects. Once piloted, it will help target areas needing mitigation across the Solent and is an important delivery programme for long term mitigation. Beyond project delivery, the team supports local authorities with demand and supply analysis, training, scoping new mitigation projects, and advising on broader environmental planning, including biodiversity net gain.

3.4 The team is structured to deliver the wide portfolio of projects for the next financial year. We are seeking agreement of a budget allocation of £438,368 to cover staff costs and SLA support) for the 2026/2027 financial year. This is fully covered by remaining LNMF revenue and support grants.

4. Planning and Infrastructure Bill – Nature Restoration Fund

4.1 The Government's new Planning and Infrastructure Bill will introduce an additional legislative framework for addressing environmental issues such as nutrient neutrality, operating alongside the existing framework. Part 3 of the Bill sets out a new approach. It proposes a Nature Restoration Fund to support environmental recovery while simplifying processes for developers. The Bill is progressing through Parliament, with secondary legislation already under consideration.

4.2 Natural England is expected to lead delivery of the new scheme, though alternative commissioning models may also be explored. One possible option is for Natural England to delegate local delivery of the fund to local authorities. Building on existing collaboration, a locally-led approach in the Solent would align well with the existing environmental strategies and reinforce the Government's ambition for the new approach. A letter (Appendix 1) has been sent to Government from Cllr House, Chair of PfSH to urge Ministers to consider a fully delegated local delivery model to strengthen the delivery of the new approach.

5. Future strategy for delivery

5.1 The Solent was unique; unlike other nutrient neutrality catchments, the LNMF grant was received when a buoyant mitigation market already supported housing delivery. Yet the Government recognised the grant was essential to provide the scale of mitigation needed for long-term housing growth.

5.2 LNMF grant conditions set housing targets and require nutrient credit sales to replenish the fund and finance further projects. This gives local authorities confidence that housing delivery is supported by a reliable pipeline of mitigation. The latest Demand and Supply Report confirms sufficient mitigation for short-term growth (five years), but new schemes are needed in the River Itchen and River Test catchments. Addressing this need will be the primary focus of SMP's work over the coming year.

5.3 PfSH and IAA authorities demonstrate how a locally led approach can balance growth with nature recovery. Collaboration has enabled a strong pipeline of projects delivered by private providers, local authorities, and LNMF funding. However, these approaches must continue to evolve to meet changing circumstances, given the significant challenge of sustaining high levels of mitigation delivery over the long term.

5.4 A standard price for nitrogen and phosphorus credits has been agreed for all LNMF projects[1]. SMP delivered its first project over a year ago and now has a growing portfolio of mitigation schemes coming forward. The team is prioritising developer engagement, but credit sales from the first scheme at Stubbington remain below projections and lower than other providers. While we are doing everything possible to meet expectations for deploying the capital fund, we remain concerned about revenue returns, which are critical for future reinvestment. This challenge is compounded by an evolving nutrient mitigation market, where changes in Government legislation and policy have created uncertainty for private providers. This increases reliance on LNMF-funded public delivery, which is only sustainable with timely reinvestment from credit sales.

5.5 SMP is working with local authorities on a new strategy to enable a more flexible and dynamic approach to pricing. Market conditions vary by catchment and are likely to become more complex, so schemes must stay competitive to secure revenue and support reinvestment. Agility is essential to adapt to change, especially with upcoming legislative reforms, so we can continue to demonstrate how locally-led approaches deliver effective mitigation solutions as well as wider benefits for local communities and nature. We will therefore be presenting a new pricing strategy to Overview and Scrutiny Committee and Joint Committee at the March 2026 meeting.

[1] PfSH Joint Committee, September 2024

RECOMMENDATION

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ENQUIRIES:

For further information on this report please contact:-

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Fareham Borough Council
01329 824828, RJones@Fareham.Gov.Uk

Appendix 1 – Letter to MHCLG and Defra from Councillor Keith House: Partnership for South Hampshire re Nature Restoration Fund

- Official -

Partnership for South Hampshire
Councillor Keith House
Chair, Partnership for South Hampshire
Eastleigh House, Upper Market Street
Eastleigh SO50 9YN

email: keith.house@eastleigh.gov.uk

19 November 2025

Rt Hon Steve Reed OBE MP
Secretary of State for Housing, Communities and Local Government
correspondence@communities.gov.uk

Rt Hon Emma Reynolds MP
Secretary of State for Environment, Food and Rural Affairs
correspondence.section@defra.gov.uk
secretary.state@defra.gov.uk

Dear Secretaries of State,

Strengthening delivery of the Nature Restoration Fund through delegated local delivery

On behalf of the Partnership for South Hampshire, I write to welcome the Government's ambition to accelerate growth while delivering nature recovery through the Planning and Infrastructure Bill's Nature Restoration Fund (NRF). We believe that this approach will be stronger by entrusting willing and capable local areas to deliver these goals.

The Partnership for South Hampshire (PfSH) is a 20-year alliance of local authorities focused on enhancing the region's environmental, cultural, and economic vitality. Now expanded to 16 authorities for managing nutrient neutrality, the collaboration is formalised through an Inter-Authority Agreement (IAA).

We urge ministers to consider a fully delegated local delivery model, allowing this local authority partnership to receive, prioritise, and allocate NRF contributions where an approved Environmental Delivery Plan exists. We express our strong interest in this approach and welcome a meeting to discuss further.

The NRF is designed to strategically direct funds toward nature recovery efforts. A place-based approach enables local leaders to use their knowledge to drive effective nature recovery and engage communities. Local leaders are well versed in planning for housing growth and infrastructure, with a proven track record of delivering high-quality place-making that reflects community needs and environmental priorities. The PfSH and IAA authorities recognise that strategic environmental solutions are a vital part of delivering these well-designed places. A local delivery model enables the effective implementation of the new approach and a seamless transition by building on existing strategies — delivering better environmental outcomes and streamlining the planning process. It also helps to manage

Natural England's resources so that they can guide and empower the regional work, but focus on direct delivery in areas of greater need.

The PfSH and IAA authorities exemplify how a locally-led approach can drive the Government's ambition. This collaboration which spans across the region is supported by strong partnerships with Natural England, the Environment Agency, water companies, conservation groups, like the Hampshire and Isle of Wight Wildlife Trust, and local communities. We have also developed key environmental strategies like Bird Aware, the New Forest Recreational Mitigation Strategy and the Solent Waders and Brent Goose Strategy to address wider pressures from growth on our most important wildlife areas, as well as working cross-boundary on the challenges for existing communities from sea level rise, flooding, climate adaptation and water scarcity.

The Solent area led the way in developing private market solutions for nutrient neutrality, demonstrating how innovation and collaboration can deliver environmental safeguards alongside development. This model continues to play a vital role in enabling growth while securing nature recovery. We are grateful for the Local Nutrient Mitigation Fund, which in parallel with the private market, is helping to pump-prime urgently needed solutions. With a delegated model, this funding also presents a vital opportunity to accelerate early delivery of NRF schemes, supporting the success of the new strategic approach.

Devolution unlocks exciting opportunities for place-based approaches to growth and nature recovery. Delegated delivery of the NRF amplifies this potential—enabling housing growth while restoring nature at scale. By empowering local authorities to lead, this can streamline planning, maximise public benefits, and ensure environmental recovery is locally driven and nationally impactful.

The Solent is ready to deliver and welcomes a meeting to ensure the drafting of legislation can enable such approaches and to discuss the practicalities to enable this exciting opportunity.

We look forward to hearing from you.

Yours sincerely,

Councillor Keith House
Chair, Partnership for South Hampshire
Leader, Eastleigh Borough Council

On behalf of Partnership of South Hampshire and Inter-Authority Agreement Authorities:
Basingstoke and Deane Borough Council, Chichester District Council, East Hampshire District Council, Eastleigh Borough Council, Fareham Borough Council, Gosport Borough Council, Hampshire County Council, Havant Borough Council, Isle of Wight Council, New Forest District Council, New Forest National Park, Portsmouth City Council, Southampton City Council, Test Valley Borough Council, Wiltshire Council, Winchester City Council

Cc: Marian Spain, Chief Executive Officer of Natural England, PfSH Chief Executives