

Chichester District Council

CABINET

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Nutrient Mitigation Fund – Round 2 bid

1. Contacts

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2. Recommendation

That Cabinet authorises the Director of Planning and Environment in consultation with the Cabinet Member for Planning, to work with the PfSH Strategic Environmental Planning team to prepare a bid to Round 2 of the Nutrient Mitigation Fund, for submission by Fareham Borough Council as lead authority for the wider Solent nutrient sensitive catchment area.

3. Background

- 3.1 In 2019 Natural England advised that certain types of development in the catchment of Chichester Harbour should be nutrient neutral, after parts of the harbour were found to be in unfavourable – declining condition with eutrophication caused by nitrogen. The requirement for nutrient neutrality has been applied to all relevant developments since that advice was received and ensures that no additional nitrogen comes from new development. On 24 January 2024 government published a list of nutrient sensitive catchments, following on from the Levelling Up and Regeneration Act. This list confirmed Chichester and Langstone Harbours SPA/Ramsar as a nitrogen sensitive catchment within the wider Solent catchment area.
- 3.2 Officers have been working jointly with other affected authorities across the Solent through a Partnership for South Hampshire (PfSH) Water Quality Working Group (recently renamed Natural Environment Group) and joint funded a Strategic Environmental Project Officer based at Fareham Borough Council to support this work. This was expanded to a team of 3 after the government announced an initial £100k of resource funding (Nutrient Support Funding) to nutrient sensitive catchments last year.

- 3.3 On 19 December 2023 the government announced the outcome of Round 1 of the Local Nutrient Mitigation Fund (LNMF), a second round of Nutrient Support Funding with a further £100k of resource funding for substantive catchments (over 10,000 ha in size), including the wider Solent (which covers 329,000 ha), and committed to opening a second round of the LNMF in early 2024. A successful Round 1 bid was submitted by Fareham Borough Council acting as lead authority on behalf of the wider Solent catchment, with an award of £10 million, including £400k of revenue funding. The further £100k of Nutrient Support Funding awarded to each nutrient sensitive catchment allows the Partnership for South Hampshire (PfSH) Strategic Environmental Planning Manager and his team to continue supporting us to prepare a Round 2 bid, which, once announced, is expected to have a deadline of 4-6 weeks.
- 3.4 Since 2019 nutrient mitigation has been coming forward in a market led way, with landowners selling nutrient credits. However, a continued supply of mitigation coming forward this way involves more risk due to reliance on the market. A successful bid would enable the council to invest directly in delivering a nutrient mitigation strategy to ensure an ongoing supply of credits for delivery of the Local Plan, focussing on solutions within the Local Plan Area. Options are still being explored but could include measures such as retrofitting affordable housing to increase water efficiency, land purchase or working with landowners to deliver tree planting, riparian buffers or wetland creation for example and working with other stakeholders and groups such as Chichester Harbour Conservancy and CHAPRON. This would give the council more control to ensure schemes deliver other benefits.

4. Outcomes to be Achieved

- 4.1 If the bid is successful, the council will receive capital and revenue funding to support the preparation and delivery of a nutrient mitigation scheme to support housing delivery in the Local Plan Area. In that event there will be a further report to Cabinet and Council to accept the funding and agree how it is spent.
- 4.2 This means that planned housing delivery will not be held up by the need for nutrient mitigation, the council will be better resourced to manage this issue, and there are likely to be opportunities to stack other benefits such as Biodiversity Net Gain (BNG) and public access.
- 4.3 If the bid is unsuccessful the council will continue to work with the PfSH Strategic Environment Team and other authorities across the Solent to ensure that we benefit from monies recycled from the Round 1 award. In that event, governance arrangements with the other affected authorities are likely to need to be established.

5. Proposal

- 5.1 The proposal is that officers work with the PfSH Strategic Environment Team to prepare a bid, likely to be for approximately £1.5 million, to support nutrient neutrality for the Chichester Local Plan part of the wider Solent catchment. This would include revenue funding to build capacity to deliver the projects. It is understood that government would prefer Fareham Borough Council to submit the bid as lead authority for the wider catchment. Funds would then be transferred to Chichester with an agreed Memorandum of Understanding on how the money would be used.

- 5.2 Although the Solent has already been awarded monies under Round 1, it is considered that a good case can be made for a separate bid for the Chichester catchment which is relatively self-contained. Round 1 proposals were focussed on areas where a lack of mitigation prevents the most amount of homes being delivered. As Chichester had a lower number of dwellings held up by nutrients than other areas the Round 1 bid did not contain projects specific to Chichester. At 320,000 ha the Solent is the largest catchment sensitive area in England by a significant amount.
- 5.3 Governance and structural issues will need to be settled and legal advice obtained going forward.
- 5.4 Housing developers, on allocated sites within the designated sensitive catchment, will benefit from greater certainty of a nutrient mitigation solution, which will support delivery of the Chichester Local Plan. This will benefit those in need of housing. There may be other stacked benefits depending on the schemes taken forward. The council will benefit from additional resources for staff to progress solutions. Landowners seeking to progress their own nutrient mitigation credit sales will be able to continue to do so but alternative solutions could potentially reduce demand.
- 5.5 Round 2 is expected to be announced imminently. Indications are that the deadline for submission will be 4 to 6 weeks as government want to make funding decisions in the current financial year. The project will require involvement from staff in various parts of the council, as set out further under the Resource and Legal Implications heading.
- 5.6 Officers will work with Fareham Borough Council's Strategic Environmental Planning Manager to prepare a bid to meet the deadline.

6. Alternatives Considered

- 6.1 The alternative is to continue to rely on market led schemes, supplemented by trickle down funding from the successful Solent wide bid, as money from the sale of credits becomes available for reinvestment, and to continue to rely on the PfSH Strategic Environmental team for support in identifying and delivering mitigation in the Chichester Plan Area. This is the fall-back position should a Round 2 bid be unsuccessful. However, with uncertainty about the timing of delivery of some mitigation schemes which are critical to support delivery of the Local Plan, it is considered that additional mitigation options should be explored now, and that funding is needed to do this, given the competing demands of other LPAs across the wider Solent.

7. Resource and Legal Implications

- 7.1 £100k of Nutrient Support Funding was paid to Fareham Borough Council on behalf of all affected authorities in the Solent catchment – this provides us with some support and advice. Fareham BC was awarded £10million under Round 1 but this is not expected to be used directly for projects in Chichester District unless our Round 2 bid for £1.5m is unsuccessful.
- 7.2 The Habitats Regulations require that competent authorities consider the impacts of any new plans on habitats sites, and whether those impacts have an adverse effect

on the integrity of a habitats site that requires mitigation. Nutrient mitigation for new development in affected catchments is required to address this.

- 7.3 Bid preparation will require input from officers in the Environment Team, Planning Policy team and Development Management, supported by the Strategic Environmental Planning Manager based at Fareham Borough Council. Support is also likely to be required from legal and finance and from the S151 officer. Staffing will also be required to deliver the projects if the bid is successful – likely to require an additional dedicated member of staff with support on project management and GIS as well as support from legal, finance and s151 officer and from council property team if land purchase is involved. The bid will include revenue funding which should be available to cover these costs.
- 7.4 Should the bid be successful, there will also be the need for new equipment for any new staff and support from GIS system administrators. There is also the potential that the council may need to consider land purchase to deliver nutrient mitigation.

8. Consultation

- 8.1 The Development Plan and Infrastructure Panel were consulted on 28 February. The panel's comments will be reported verbally to Cabinet.

9. Community Impact and Corporate Risks

- 9.1 The proposal will help deliver projects to mitigate nutrients going into Chichester Harbour, and support housing delivery.
- 9.2 There is a risk that the bid will not be successful, in which case arrangements will be put in place to ensure that Chichester benefits from the monies awarded to the wider Solent under Round 1. There is a risk of abortive work if government amends legislation to remove nutrient neutrality as a planning issue as was previously proposed through the Levelling Up and Regeneration Bill (when those proposals were rejected by the House of Lords) – however this is considered unlikely, particularly before the next General Election.

10. Other Implications

Are there any implications for the following?		
	Yes	No
Crime and Disorder		X
Biodiversity and Climate Change Mitigation A successful bid will give the council greater control over nutrient mitigation projects, and the stacking of benefits, including biodiversity.	X	
Human Rights and Equality Impact		X
Safeguarding and Early Help		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing Depending on the projects taken forward there may be potential for increased public access to nature which could have health and wellbeing benefits.	X	

Other (please specify)		
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11. Appendix

11.1 Round 2 LNMF letter/ specification – to be added once available

12. Background Papers

Impact Assessment