

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

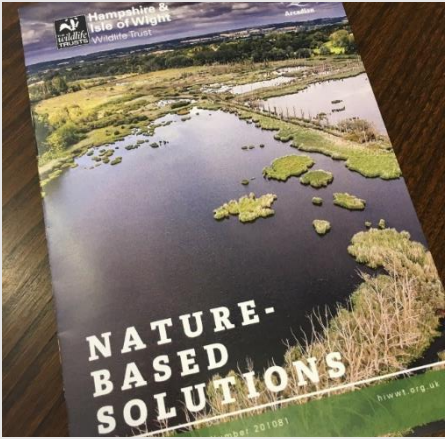
BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

Business case for a £2m loan to provide a nature-based solution to the Solent nutrients issue that will reduce pollution in the Solent, create new wildlife reserves, and unlock stalled housing

- Date* 9 November 2020
- Prepared for* Solent LEP Board
- Prepared by* Debbie Tann, Chief Executive, and John Durnell, Director of Estates and Conservation Delivery, Hampshire & Isle of Wight Wildlife Trust



SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

Business Case – Summary

Strategic Case	
<p><i>The case for change and how it provides strategic fit.</i></p>	<ul style="list-style-type: none"> • The delivery of 5,000-10,000 new homes across South Hampshire has been on hold since 2019 due to excessive levels of nutrient pollution in the Solent ecosystem. Planning permissions for these and future houses cannot be granted until appropriate mitigation solutions are in place. • One such mitigation solution has been developed by Hampshire & Isle of Wight Wildlife Trust, working closely with Natural England, PFSH, local planning authorities and developers. • Our nature-based mitigation solution will acquire intensive agricultural land in appropriate locations, transform it into natural habitats and remove nitrate pollution from the Solent ecosystem. • This creates the ability to sell nitrate ‘credits’ to developers, providing them with appropriate mitigation and allowing planning permission to be granted. (A credit is equivalent to 1kg of nitrogen per year). • Our scheme provides a simple, effective, strategic answer to a problem which has caused political and economic frustration for a year. • We are seeking a £2m loan from the Solent LEP to roll-out the scheme. Having now established proof of concept, everything is in place for delivery. • The project will deliver multiple additional benefits on top of the basic mitigation, contributing towards wider Government policy (e.g. biodiversity gain, nature recovery networks, green economy, decarbonisation) and it will also strengthen relationships between the private, public and charity sector. • By demonstrating the effectiveness of ‘nature-based solutions’ the Solent region will be on the front foot of innovation – a concept that is gaining traction as we build a greener economy.
Economic Case	
<p><i>The delivery of best public value to society, including wider social and environmental effects.</i></p>	<ul style="list-style-type: none"> • The Wildlife Trust’s nitrate mitigation scheme is ‘shovel-ready’. We have already demonstrated proof of concept with the purchase of the first mitigation site – Little Duxmore Farm – which will be ‘rewilded’, removing 848 kgs of nitrogen per year from the Solent ecosystem, and enabling the completion of circa. 1,150 houses in south Hampshire. • We are seeking £2m loan finance from the Solent LEP to secure additional mitigation sites to unlock further housing.

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

	<ul style="list-style-type: none"> • This loan will be used in combination with a loan from Defra (currently in discussion) or other finance. In total, these loans will allow the Trust to acquire three mitigation sites and unlock 6,700 houses across the Solent area. • The LEP loan on its own could be used for one of the sites, unlocking 1,400 homes for one part of the Solent area. • We are in advanced negotiations to acquire the three mitigation sites and can move quickly as soon as the loan finance is made available. • Our scheme is straightforward, transparent, and simple for both developers and local authorities. • As a charity, we are a trusted deliverer and have a duty to deliver wider public benefit in all we do. • Land acquired for mitigation will be transformed into nature reserves, delivering not only water quality improvements but additional benefits for biodiversity, carbon capture, landscape, education, and wellbeing. • These benefits will be provided in perpetuity and the sites will become heritage assets, safeguarded as part of the Trust’s charitable purposes. • We have developed a screening process with a simple set of ethical eligibility tests for our scheme, to provide added confidence of delivering the best outcome for the environment. • Our scheme goes further still, by holding back some of the mitigation capacity from each site (circa 5%) so as to deliver pollution reductions over and above counterbalancing. This is important as we need to improve the quality of the environment and not just maintain it in a poor state.
<p>Financial Case</p> <p><i>The affordability and funding, including the support of stakeholders and customers, as required.</i></p>	<ul style="list-style-type: none"> • Repaying the loan finance is affordable for the Trust based on the assumptions and calculations we have carried out in conjunction with Natural England and the Local Authorities. • There are some risks in the project, but we have considered these carefully and have set out our risk management strategy in this paper. • Our scheme is cost effective and now a proven concept – the first nitrate credit sales have been made. • Our scheme provides certainty of mitigation; it is approved by Defra, Natural England, and the local planning authorities in the Solent area.

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

	<ul style="list-style-type: none"> • There is strong demand for our scheme, demonstrated by the 190+ developments on our EOI database and the support from the Government with the offer of a parallel loan for site acquisition. • The cost of credits is affordable in line with standard financial viability assessments; this has been confirmed by developers. • The cost of credits will vary slightly depending on the location of the mitigation site (due to different land values in different parts of the region). • The high demand for our scheme and rapid take-up of the first credits from Little Duxmore Farm demonstrate that the scheme is viable. • Land will be purchased at a fair market price using loan finance from the LEP, and from Defra. • The loans will be repaid as nitrate credits are sold, and the ‘surplus’ income from credit sales will be designated by the Trust in a long-term management fund to cover the costs of land management in perpetuity. • Support from the LEP will help to strengthen and unlock the parallel loan from Defra, which is vital to allow the acquisition of all three sites. • The project will deliver a strong return on investment. • The benefits delivered through acquiring the three mitigation sites outlined in this paper are: unlocking of 6,700 new homes, creation of 200 hectares of new biodiversity habitat, and removal of 5,100 kgs of nitrate pollution per year from the Solent ecosystem.
<p>Commercial Case</p>	
<p><i>The procurement route.</i></p>	<ul style="list-style-type: none"> • The Trust will work with land agents or directly with landowners to negotiate land acquisitions. We are duty bound to pay a fair market price and usually seek Red Book valuations from a recognised land agent in order to comply with charity rules. • The Trust has been an active purchaser of land for 60 years and we have excellent relationships with land agents and many landowners. We are well versed in acquiring land and understand local market values. We have been approached by landowners and are a preferred buyer in many circumstances. • Mitigation sites will either be purchased freehold or will be secured through long term lease for a minimum of 125 years to satisfy planning and environmental legislation requirements. • We have established two clear routes to market for selling nitrate credits – either directly to developers using our established EOI form

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

	<p>and screening process, or to Local Planning Authorities in order to facilitate the delivery of their Local Plan.</p> <ul style="list-style-type: none"> The legal underpinning of the scheme including all paperwork and contracts is now established and is ready to be rolled out across the Solent area.
Management Case	
<p><i>The governance arrangements, including the delivery, monitoring and evaluation of the scheme.</i></p>	<ul style="list-style-type: none"> As a landowning charity we have a formal land acquisition process with decisions being made by our Board of Trustees. Land acquired will be designated as a ‘heritage asset’ and safeguarded in perpetuity, delivering public benefit in line with the Trust’s charitable objectives. The scheme relies on matching supply and demand. By working closely with Natural England to identify and evaluate suitable mitigation sites we can offer specific volumes of nitrate credits suitable for counterbalancing the impacts of developments in specific parts of the Solent. By working closely with Local Authorities and through our EOI process, we know what the demand is for nitrate credits – both now and looking ahead a number of years. Our aim is to ensure that the supply of mitigation sites matches the demand for credits as closely as possible, both to minimise risk to the Trust and to maximise the speed and effectiveness of delivery. Clearly the effectiveness of the scheme relies on good working relationships with all parties. To date, we have experienced an excellent level of collaboration and we expect this to continue. A full ecological monitoring programme for the biodiversity benefits delivered across the mitigation sites will be put in place and the results made publicly available. The Trust will report regularly to the LEP and to PfSH on the roll out of the scheme and the selling of nitrate credits. We will repay the loan over a period of up to ten years (maximum) on the terms to be agreed. Please note formal acceptance of the loan is subject to approval by our Board of Trustees following any offer made by the LEP.

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Business Case – Further Details

1. Background

The water environment within the Solent region is one of the most important for wildlife in the United Kingdom. It is internationally important for its wildlife and is protected under the Water Environment Regulations and the Conservation of Habitats and Species Regulations (legislation implementing the EU Habitats Directive) as well as national protection for many parts of the coastline and their sea.

Decades of pollution entering the Solent from wastewater, urban runoff and agricultural discharges have caused the levels of nutrient enrichment in our coastal region to reach crisis point. The high levels of nitrates are causing harm to the ecosystem and failure of environmental standards in this highly designated area.

There is uncertainty as to whether new growth will further deteriorate designated sites. This issue has been subject to detailed work commissioned by local planning authorities (LPAs) in association with Natural England, Environment Agency, and water companies. This strategic work is on-going. Until this work is complete, the uncertainty remains and the potential for future housing developments across the Solent region to exacerbate these impacts creates a risk to their potential future conservation status.

The Dutch Nitrogen case provided further clarification as to the course of action that should be taken: On 07 November 2018 the European Court of Justice (CJEU) ruled on *Cooperation Mobilisation for the Environment v Vereniging Leefmilieu*. The ruling stated that ‘where a European protected site is in unfavourable condition, the ability to permit activities which would give rise to additional pollution is ‘necessarily limited’ and would need careful justification to ensure that it is compatible with the Habitats Directive’.

Therefore, with the high levels of pollution in the Solent and with no obvious means of mitigating the impacts, Natural England advised local authorities to put all new planning permissions on hold until mitigation solutions could be found. Planning permissions across south Hampshire have been on hold for many months awaiting a mitigation solution.

One way to mitigate the uncertainty is for new development to achieve nutrient neutrality. Nutrient neutrality is a means of ensuring that development does not add to existing nutrient burdens and this provides certainty that the whole of the scheme is deliverable in line with the requirements of the legislation. The nutrient neutrality approach applies to developments where the treated effluent discharges into any Solent international sites (Solent Maritime SAC, Solent and Southampton Water SPA and Ramsar, Portsmouth Harbour SPA and Ramsar, Chichester and Langstone Harbours SPA and Ramsar), or any water body (surface or groundwater) that subsequently discharges into these sites.

Natural England has published a practical methodology which sets out how nutrient neutrality can be achieved. The methodology explains how to calculate a nutrient budget for each development. Where there is a resulting net nitrogen load, this will need to be neutralised through a mitigation solution such as that being provided by the Wildlife Trust.

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

2. Development phase

Hampshire & Isle of Wight Wildlife Trust has been working with Natural England, PFSH and Local Authorities in South Hampshire to develop a mitigation solution since January 2020.

Our nature-based mitigation solution allows developments to achieve nutrient neutrality by providing a means of offering nitrogen 'credits'. These credits are created by the Wildlife Trust acquiring intensive agricultural land, which was adding nutrient pollution to the Solent ecosystem, and transforming it into natural habitats to remove this pollution from the system.

The amount of nitrogen removed can be offered as a credit to counterbalance the pollution which will be added to the Solent ecosystem by the new development.

The Trust secured its first mitigation site, Little Duxmore Farm on the Isle of Wight, in early April 2020. The site was approved by Natural England and has the capacity to remove up to 848 kgs of nitrogen per year to counterbalance inputs into the eastern Solent. We will hold back 5% of this capacity and only sell 806 kgs worth of credits, leading to overall reductions in pollution as well as creating significant wildlife benefits on the mitigation sites.

Securing this site has enabled the Trust to work with Fareham Borough Council and Isle of Wight Council to develop and finalise the legal underpinning for the scheme. The Trust has also been working with all parties since April to develop the overall shape of the scheme including information packs for developers and our Expression of Interest and screening process. We have also continued to look for further sites for acquisition.

In late September 2020 this development work came to fruition with the first legal agreement for Little Duxmore Farm being signed by Fareham and Isle of Wight Councils and the Trust.

The Trust is now in the process of sending contracts to developers to enable them to purchase the nitrate mitigation they require which will enable the Local Planning Authorities to fulfil their Habitat Regulations Assessment duties and issue planning permissions.

This development phase and the subsequent proof of concept has provided a simple framework which can now be scaled and will enable the Trust to provide options for Local Authorities to mitigate discharges in all catchments across the LEP area.

3. Legal underpinning of the scheme

One of the challenges nitrate mitigation schemes have encountered to date has been finding a mechanism that could overcome issues of cross border enforcement of planning conditions. The Town and Country Planning Act does not provide planning authorities with the powers to enforce Section 106 obligations beyond their administrative boundaries and because of limits on the availability of land it is not always possible to secure mitigation sites within particular Local Authority areas.

The mechanism that the Trust has developed in conjunction with Fareham BC and IOW Council is a hybrid agreement (the Agreement) that utilises the provisions of Section 106 of the Town and Country Planning Act but also brings in Section 33 of the Local Government Act (LGA). Section 33 of the LGA allows for Local Authorities to delegate the enforcement to other Local Authorities which enables either the IOW Council to delegate enforcement powers to Fareham or vice versa.

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

In parallel to the development of the Agreement, the Trust has also developed a series of proforma contract documents that form the basis of the contractual relationship between the Trust and the applicants to the scheme. These documents are now being used as the contractual underpinning to the sale of nitrate mitigation from Little Duxmore Farm.

We have developed two contractual options to purchase mitigation credits. Initially the intention was to offer all applicants a conditional contract which would see payment due once planning permission was acquired. However, it has become clear that the legal fees associated with setting up a fairly complex conditional contract were disproportionately impacting on smaller developers who often only wished to purchase 1 or 2 kgs. The Trust has therefore developed a more straightforward unconditional contract through which smaller developers can purchase mitigation upfront, saving legal fees. This streamlined, cheaper approach has proved very popular with smaller developers.

4. Confidence in the Trust

The Trust's charitable status, financial stability, and long term approach has enabled Natural England and Fareham BC to have confidence that not only will the mitigation land be managed in a compliant way for the contractual period (125 years) set out in the Agreement but that the Trust will continue to manage the land in a low intensity way beyond this time. Indeed, the Trust is duty bound as a charity to deliver public and environmental benefit in all that we do.

The requirement to have confidence that the land will be managed appropriately, in perpetuity and not simply for the period set out within the Agreement, is a crucial additional aspect the Trust can provide that has provided the confidence required.

The Trust is an acquisitional charity and has been regularly acquiring land since its inception in the early 1960s. This history has enabled the Trust to build up strong links with many of the landowning estates and land agencies in the two counties which in turn has provided the Trust with a number of routes through which we have identified potential mitigation sites.

We have worked closely with Natural England and all the Local Authorities to develop our scheme over several months to ensure that it meets the requirements of all parties. We expect this level of close collaboration and support to continue as we scale up the scheme.

5. Financial model and scale of demand

Since formally launching our scheme in early October the Trust's scheme has been heavily oversubscribed. We have already issued a significant number of contracts and we anticipate that the entire capacity of Little Duxmore will be reserved under contract by the end of November 2020. This rapid up take of the Trust's scheme provides a strong indication that the Trust's price point is competitive and is not adversely impacting on the viability of house building in the area.

The income derived from the sale of nitrate credits provides the means to cover the cost of land acquisition (repaying loan finance), and the surplus will be placed in a designated fund set aside to cover the long term costs of managing the land and dealing with any risks and liabilities over at least the 125 year period as set out in the Agreement.

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire &
Isle of Wight
Wildlife Trust

Setting up designated funds is an established practice within charities. Drawing on these funds is overseen by the Board of Trustees, is subject to an annual audit and is published in the Trust's annual report and accounts as required by charity financial accounting rules.

The scheme's initial business model has been to sell directly to developers as and when they need to address the issue. With very little marketing, we have registered formal expressions of interest from over 190 developments equating to over 3,000 kgs/N per year.

An alternative model, which the Trust is exploring with a number of Local Planning Authorities (LPAs), is to sell directly to LPAs to enable them to have confidence that their Local Plan allocations can be delivered.

Some LPAs have confirmed they would be willing to purchase nitrate credits from the Trust over the next three to five years (see table below for further details). This model provides confidence to LPAs that the mitigation they require will be available but also provides increased security to the Trust that there is a guaranteed minimum number of credits that will be sold. We will aim to finalise these arrangements before the end of the calendar year.

The Trust's model is now well developed, legal structures are in place, a clear route to market has been established and is operational and negotiations to secure additional mitigation land are well advanced. Whilst the costs of land do vary depending on location, we are confident that the price of credits is affordable. The amount of nitrogen mitigation required also varies depending on the location of the development, but our calculations indicate that affordability is not an issue even in the more expensive areas.

The key aspect that is now required to see the scheme rolling out at scale is initial capital finance to acquire additional sites. The LEP loan, together with the Defra loan will largely address that remaining issue.

6. Use of Loan Finance

Site Acquisition

The Trust is applying for a loan of £2m from the Solent LEP to support the acquisition of further mitigation sites.

The Trust would like to combine the funds secured through the Solent LEP loan with additional funding secured through a potential Defra loan to secure three sites.

These sites will facilitate the building of approximately 6,700 houses, providing mitigation for discharges from Budds farm, Peel Common and Pennington Wastewater Treatment works (WWTWs) as well as via smaller WWTWs on the Isle of Wight and on the New Forest rivers.

The Trust is at an advanced stage of negotiations and our aim is to secure all three sites before the end of March 2021. The locations and mitigation capacity of all three of the sites have been approved by Natural England.

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

Demand for Nitrate Credits

The Trust has received Expressions of Interest for developments requiring approximately 3,000 nitrate credits (minus the 700 already allocated at Duxmore Farm). Three Local Planning Authorities have indicated a commitment to purchasing a minimum amount of credits in the next three to five years to facilitate the delivery of their Local Plans. We are confident that the 5,000 or so credits available at the three sites could easily be sold within five years.

7. Locations of Mitigation Sites

Ideally the Trust would secure mitigation sites within individual LPAs areas and close to the developments in question. However, it is not always possible to do this due to hydrological modelling, land availability and cost.

The Trust aims to keep costs down for developers and local authorities to maintain viability for developments, particularly in urban areas of south Hampshire where margins are tighter. Land values on the Isle of Wight, for example, are substantially below those of mainland Hampshire and the Trust aims to acquire land on the Island for mitigation purposes to keep costs low.

Conversely, the nature of the movement of nitrates around the Solent means that some developments can only be mitigated for close by and within very clearly defined catchments. Discharges through the Pennington Wastewater treatment works, for example, are retained in the Western Solent and the Trust has therefore made an offer to purchase a site on the New Forest coast. Inevitably securing land on the New Forest coast, with the very limited land supply is more expensive, however we still believe that we can keep costs affordable to developers.

8. Management, Governance, Monitoring and Evaluation

The Trust's internal acquisition procedures involve an initial analysis carried out by the Director of Estates and Conservation Delivery, a further examination by the CEO with the final formal step involving a Paper being submitted to the Trust's Board of Trustees for approval. In most cases Trustees will expect acquisition papers to be supported by a Red Book valuation. Each site is subject to an assessment of its alignment with a set of acquisition criteria, which include both conservation and financial considerations.

The Trust will deliver and publish an extensive ecological monitoring programme on all sites secured to deliver nitrate mitigation to provide an evidence base which will help to inform approaches to rewilding in the future. In addition, an annual report will be provided to all LPAs who utilise the scheme which will outline how the Trust has complied with the contractual requirements set out within the Agreement. Regular reporting to the LEP Board, Natural England and Defra will also be undertaken.

It is vital that the roll-out of our scheme continues to be supported by the Local Planning Authorities and PFSH to enable effective delivery and avoid delays.

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



9. Wider Benefits

In addition to the direct benefits outlined above all three sites would be managed to significantly improve conditions for wildlife in the area. The New Forest coastal site in particular has the potential to provide additional mitigation for impacts on SPA bird species.

The Trust is currently working with a number of other bodies to finalise an accurate way to assess carbon capture and storage using grassland restoration as a technique. While this work is not finalised it is clear that a project of this kind will lead to significant benefits in terms of carbon reductions. The Trust is keen to work with PfSH to develop a strategic approach to dealing with wider water quality issues across the sub-region.

In summary, this funding will help to facilitate the delivery of planned housing development in the Solent area, whilst at the same time mitigating and reducing the impact of pollution on the Solent's environment and bringing with it significant additional environmental benefits.

10. Risk Management

To date, the Trust has carried significant risk in bringing this scheme to market. We have invested substantial senior officer time in the development phase, secured finance to secure the first site, and met considerable legal costs. These have served to provide the strong foundation from which we can now roll out the scheme. We have also benefited from strong support from all parties in getting to this stage, and it is essential that this positive collaboration continues as we move forward.

Risks	Risk Assessment	Mitigation
Failure to secure land	Low	Three sites are at an advanced stage of negotiation. Therefore, the risk is considered fairly low. We have an alternative site on the Isle of Wight as a fall back, and we are constantly looking for other opportunities. We have excellent connections with land agents and landowners across the area.
Inability to sell nitrate credits	Low	Although we have undertaken an assessment of the scale of demand for credits, there is the risk that we fail to sell them. Given where we are, this is unlikely, but there are other mitigation schemes now coming to market and so there is a risk that developers move to those schemes instead. However, the strong partnership between the Trust, PfSH, LPAs and the LEP should minimise this risk. We could seek more formal commitments from LPAs to purchase credits if required. Furthermore, we know from many developers that they are favourably disposed to working with the Trust as this gives

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

		<p>them positive publicity as doing something positive for the environment and biodiversity.</p>
<p>Failure to secure parallel Defra loan</p>	<p>Low</p>	<p>Our favoured approach is to use the LEP loan in conjunction with the Defra loan to secure all three sites, as this provides mitigation options across the whole Solent area.</p> <p>If the Defra loan was not forthcoming, the LEP loan could be used to secure one of the three sites.</p>
<p>Change in Government policy or legislation meaning that mitigation is no longer required.</p>	<p>Low</p>	<p>In the event that there is a substantial shift in Government policy such that nitrate credits are not required at all, the Trust would have to sell any land purchased for the scheme in order to repay the loan.</p> <p>If the Trust incurred significant losses from the resale of this land, we would expect support from the Local Authorities, PfSH and the LEP to minimise the impact on the charity, given that this risk is entirely outside of our control.</p>
<p>Judicial reviews or other issues causing delays in planning and therefore delays in selling credits.</p>	<p>High</p>	<p>The most likely risk is that selling credits will take longer than anticipated. The focus of a current Judicial Review not related to the Trust's scheme but challenging the overall approach to nitrate mitigation is around the level of mitigation required. The challenge does not affect the fundamentals of the Trust's scheme, but it could cause delays. There are a variety of other potential planning-related reasons why credit sales may be delayed, and these are outside of the Trust's control.</p> <p>We have proposed a flexible approach to the loan repayment schedule if significant delays outside of the Trust's control cause delay in selling credits.</p>
<p>Reputational risk for the Trust due to complaints by members of the public opposed to the scheme</p>	<p>Medium</p>	<p>The Trust has developed various communication materials to help to address concerns raised by members of the public. Support from partners for the scheme is very helpful in this regard, and commitments by the Government, the LEP and others to a green economic recovery is an important part of the narrative surrounding nature-based solutions.</p>

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

Appendix

Further details of how the scheme operates

Our scheme works by acquiring intensively farmed land within appropriate floodplain areas, which has historically been subject to high nitrogen inputs, and reducing the intensity of management to a point where Natural England are comfortable that a low (5kg/n per year) residual discharge remains.

The scheme utilises Natural England's published advice to both identify the appropriate location for mitigation sites and to calculate the total nitrate reduction that each mitigation site will provide.

The Trust will acquire land suitable to facilitate a reduction in nitrogen entering the Solent across a number of catchments in order to provide options for offset for all local authority areas. Our programme will not just reach nutrient neutrality but aims to lead to a reduction in nitrates in the Solent.

A developer or Local Authority who wishes to enter the Trust programme is asked to complete and submit an Expression of Interest form. Completion of the form does not commit the developer to entering the programme or to the Trust to selling nitrate credits to the developer however, it does assist the Trust in understanding how much capacity is needed and in which catchment.

The Trust does not work out the nitrogen load for developers, they need to agree this with Natural England or the Local Planning Authority before submitting an Expression of Interest form.

The Trust will typically sell nitrate credits on a first-come-first-serve basis, although other factors including our screening process, will influence which applications are accepted and in which order.

We have established a number of ethical eligibility tests that we require developments to comply with before we will sell nitrate credits to them (see below). We carry out our own screening and we also contact the Planning Officer to confirm that the tests have been met as part of our internal processes.

Once we have secured mitigation sites and agreed the capacity of the site with Natural England the Trust will finalise the cost per kg of nitrogen offset. We aim to hold back approximately 5% of the mitigation capacity of each site to provide additional pollution reductions rather than just counterbalancing.

In addition to the cost of credits, there is an administration fee and legal costs to be paid. We aim to keep legal fees as low as possible.

Nitrate credits will be sold to developers either through a conditional contract for larger developments contingent on the granting of planning permission, with payment due shortly after planning permission has been granted, or by a simple sale for smaller developments, usually those below 5kg. A deposit of 10% is paid upon issuing of the contract. The length of time between paying the deposit and paying the balance could be several months for some larger developments due to the subsequent processes that need to happen prior to planning permission being granted including Appropriate Assessment and time for possible Judicial Reviews.

The Trust will aim to enter into agreements with all the Local Planning Authorities which means that individual developers do not need to enter into separate Nitrate Section 106 agreements.

SOLENT NUTRIENTS ISSUE – NATURE BASED MITIGATION SOLUTION

BUSINESS CASE FOR LOAN FINANCE FROM THE SOLENT LEP



Hampshire & Isle of Wight Wildlife Trust

Scheme Tests

When supplying nitrogen offset credits to a developer for a specific development, Hampshire & Isle of Wight Wildlife Trust upholds widely accepted principles to ensure the protection and enhancement of biodiversity. These principles are underpinned by legislation and policy and apply both to the footprint of the development and any offsite impacts.

We screen developments as they come forward to ensure they meet our tests. It is important that any developments that undermine the planning system and that the LPA opposes are not being facilitated by the Trust's scheme; more importantly, the tests will also help to ensure that developments causing significant damage to the local environment are not being enabled by the scheme.

1. The development should be in an **adopted Local Plan or are acceptable to the relevant local authority**. Under certain circumstances, windfall developments and those outside of an adopted Local Plan will be deemed acceptable where they ensure full compliance with the other criteria outlined below.
2. The development should **not carry an objection from Natural England or the local authority ecologist or the Wildlife Trust**, and **not lead to loss of irreplaceable biodiversity**.
3. The development should demonstrate **compliance with ecological mitigation** required by the statutory bodies especially with respect to designated sites (e.g. water pollution and provision of sites used by coastal birds – see note below).
4. If necessary, and in compliance with 3), the development must make **contributions to mitigation schemes such as Bird Aware Solent and New Forest mitigation schemes** or have an equivalent or better scheme in place.
5. Where there is over demand for credits, preference will be given to developments which demonstrate **biodiversity net gain, delivery of the Local Ecological Network or adoption of the Building with Nature green infrastructure principles**.

<https://www.buildingwithnature.org.uk/about>

Of relevance to 3) in southern Hampshire and the north of the Isle of Wight is any impacts, direct or indirect, on the network of sites used by coastal birds which are features of the Solent Special Protection Area. These sites have been assessed and mapped in the Solent Waders & Brent Goose Strategy³ and all sites which are classed as 'Core' are not deemed appropriate for development under any circumstances. We expect the mitigation guidelines within this strategy to be followed.
