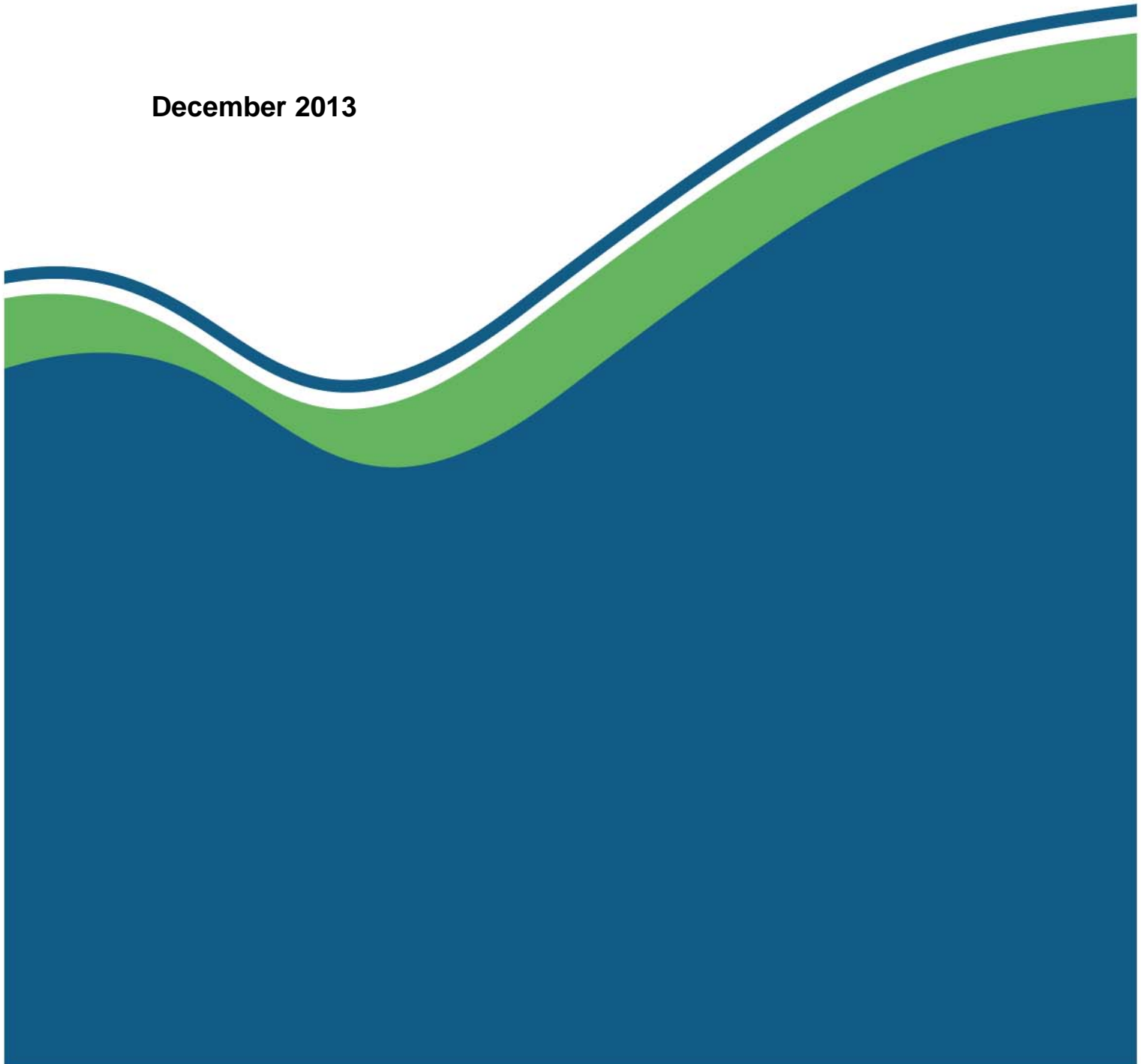




Consultation on a proposal to increase charges in 2014-15 and 2015-16

December 2013



The purpose of this consultation

The Scottish Environment Protection Agency (SEPA) is inviting your comments on a proposal to increase some SEPA charges from April 2014 and in April 2015. Your responses will inform the development of the final scheme which will be submitted to the Scottish Government for approval by the Scottish Ministers.

SEPA is currently reviewing all of its charging schemes and we intend to implement a new and significantly different charging framework in 2016. It will be based on a common and consolidated risk assessment, aiming to reduce the number and complexity of schemes and support the delivery of better regulation. The PPC scheme is part of this review. These proposed increases, if approved, will eliminate some of the current larger under-recoveries ahead of consultation and implementation of the new framework. The effect of this should make the transformation less complex.

The charges approval process

Any significant changes to a charging scheme are subject to approval by the Scottish Government and the Scottish Ministers. Before submitting proposals to the Scottish Ministers we must consult with interested parties.

The Scottish Ministers consider the comments received on the consultation, while having regard to the desirability of ensuring that the amounts recovered by the charges meet the relevant costs and expenses. SEPA will publish a summary of the comments received on our website and share copies, where appropriate, with the Scottish Government.

Handling your response

We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. Please complete and return the Respondent Information Form (Annex 3) as this will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential and we will treat it accordingly. We will, where necessary, share any responses with Scottish Government and will retain all responses for one year following implementation of the revised scheme. After a year, all responses will be destroyed.

All respondents should be aware that SEPA and Scottish Government are subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise. This could mean releasing your response to this consultation.

How to respond

We would like your views on these proposed amendments, the reasons behind your views and, where possible, any evidence you have that supports them.

The consultation period closes on 17 February 2014

Please send your written responses and the completed form in writing or by email to:

Charges Consultation Response
Scottish Environment Protection Agency
Erskine Court
Castle Business Park
Stirling
FK9 4TR

Email: <mailto:2014chargesconsultation@sepa.org.uk>

We would be grateful if you could clearly indicate which parts of the consultation document you are responding to, as this will help with the analysis of the responses received. Please also submit the enclosed Respondent Information Form (Annex 3) with your response.

We look forward to receiving your comments.

Introduction

Scottish Government requires charges to be set for public services at full cost recovery. Any new SEPA charging schemes or changes to existing schemes proposing increases to exceed the Retail Price Index (RPI) must be submitted for approval by the Scottish Ministers and be subject to consultation. The consultation is led by SEPA and approval is sought from the Scottish Government for all proposed increases.

Charges are set to reflect and recover the full costs of regulating, monitoring and reporting activities from licence, permit and other authorisation holders. Substantial efficiency gains and savings have been made over the last few years and as a result we have been able to hold off potentially significant increases in charges until now.

Background

During the economically difficult period 2008-2014 SEPA charges increased overall by 8.4%, well below the UK Retail Price Index (RPI) increase of 20.3% for the period.

We have achieved this by making significant cost savings through reviewing business processes, increasing business efficiency and reducing our staff complement.

The performance of each charging scheme is reported in the trading accounts in our Annual Report and Accounts. SEPA achieved 95% overall cost recovery across all charging schemes in 2012/13, with some schemes over recovering and some under recovering. We are forecasting improved recovery of 97% in 2013/14 as a result of increasing some charges and further efficiency and cost savings.

SEPA plans to make further efficiencies in the effort deployed to support charging scheme work to reduce the impact of inflationary cost increases expected in 2014/15 and 2015/16 however these savings will not be sufficient to bring charging schemes into balance therefore SEPA is also seeking to increase its fees and charges for these two financial years.

The Pollution Prevention and Control (PPC) Regulations 2012 come into effect in 2014 for new applications, and in 2015 for existing permits. The 2012 Regulations brought some new or amended activities into regulation and thereby charging. We have already removed some other PPC activities from regulation. The technical changes to the PPC charging scheme will be subject to a separate consultation on a proposal to amend the pollution prevention and control charging scheme (http://www.sepa.org.uk/about_us/consultations.aspx).

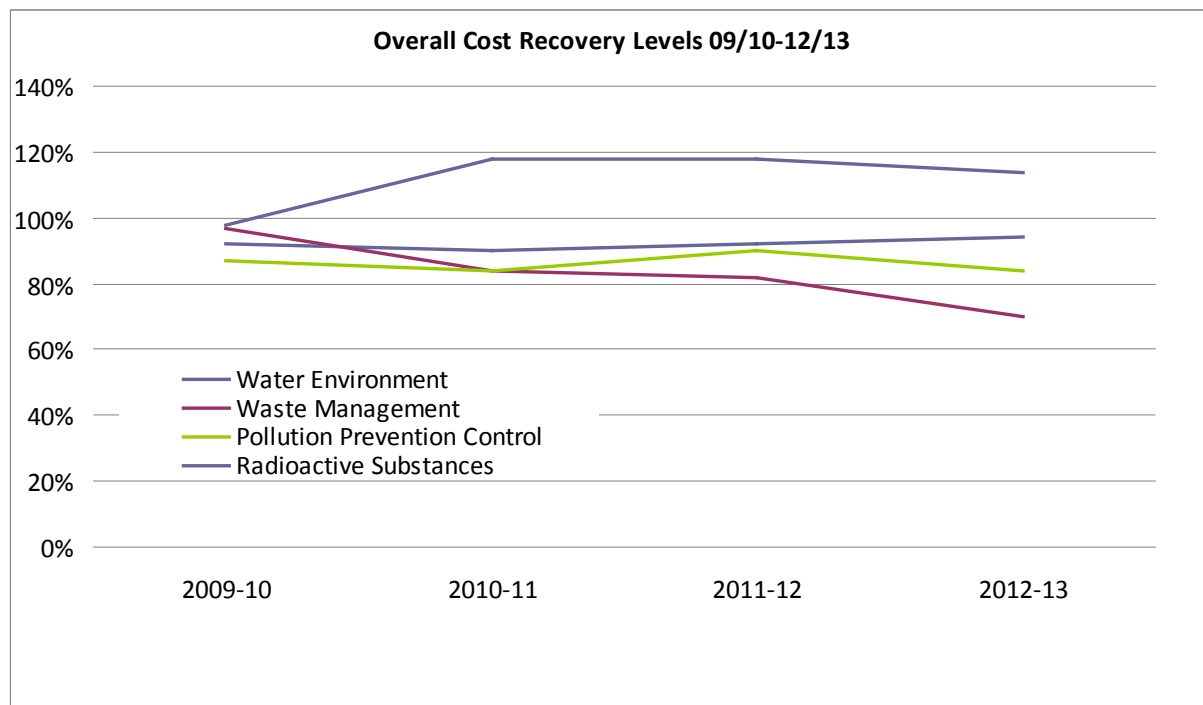
The PPC consultation does not include any proposals to increase charges overall but does include some minor proposals to amend charges and **we would therefore urge customers with PPC permits and their representative bodies to respond to both consultations.**

Please note Compliance Assessment Scheme (CAS) adjustments will continue to be applied to PPC charges only.

As mentioned above, during 2012/13 charging schemes achieved 95% cost recovery overall. The rate of recovery varies between schemes and over the past four year period the under-recovery of waste regulatory costs has increased each year and

was less than 80% in 2012/13 (Chart 1). This under-recovery will be continued in 2013/14.

Chart 1



Overall recovery 96% 94% 96% 95%
 [Overall recovery figures include application and subsistence cost recovery]

The Fees and Charges Trading Accounts for 2011/12 and 2012/13 are attached as Annex 2.

Main scheme charges were increased by 2% in April 2013. As a result of this increase and making further efficiency and cost savings, the overall recovery is forecast to improve to 97% in 2013/14. However rising costs will result in a greater under-recovery on charging schemes during the next 2 years unless charges rise and continued action is taken to control costs. As such SEPA is proposing to increase its main scheme charges from 1 April 2014 and again from 1 April 2015.

In the medium and longer terms we recognise the need to rebalance the levels of recovery across all of our chargeable work and this will be central to our new regulatory charging framework, which will be the subject of a further consultation in 2014.

Proposed increases

We propose increases in line with the growth in the Consumer Price Index (CPI) to September 2013 for the majority of charges. This moves away from the previously used and usually higher RPI measure. This will align SEPA with other public bodies when calculating annual cost and charge increases. CPI for September 2013 was 2.7% against the RPI of 3.2%. This represents income forgone of circa £0.15m each year.

In line with the current and projected under-recoveries for each scheme and to improve the overall recovery of costs in 2014/15 and 2015/16 we propose to increase charges as follows:

- Waste by 7.7% (CPI + 5%) to be applied in both 2014/15 and 2015/16;
- Controlled Activities (Water), Pollution Prevention and Control (PPC) and Radioactive Substances Act Nuclear site charges by CPI (2.7%);
- Increases to be applied in both 2014/15 and 2015/16.

The following charges will not be increased:

- Radioactive Substances (Non-Nuclear);
- Special Waste and Producer Responsibility (Packaging Waste, WEEE and Batteries)
- EU Emissions Trading Scheme (ETS),
- Carbon Reduction Commitment (CRC) and
- Transfrontier Shipments (TFS).

These proposed increases will prevent further widening of the funding gap across charging schemes and along with planned efficiency savings of £500k per annum, we are aiming for charging schemes to breakeven by 31 March 2016 (100% cost recovery).

Financial impact

These proposals will increase annual charge income by £1.02 million in 2014/15 and £1.06 million in 2015/16.

The greatest impact will be on the waste sector, excluding landfill site charges which are collected through the PPC scheme. More details of the impact of the waste and other charge increases are detailed in Annex 1.

Water charges are the highest charges paid by the largest charge payers therefore their charges will increase by around 2.7% overall.

These proposals will generate an additional income of around £500,000 from the top 30 customers who each have multiple licences and permits.

For more than 40% of charge payers a 2.7% increase will be less than £10 per annum.

Customer information

Any increase in charges for 2014/15 will be advised clearly on our website and a note informing all charge payers of any increase will be included with invoices issued in March or April 2014.

Annex 1 Financial impact

Waste activities - excluding PPC permitted landfill sites

There are currently 1150 Waste Management Licence (WML) holders.

Impact on applications fees

Annual income from WML applications and renewals is around £990,000 and will increase to around £1.1 million over 2 years.

This includes £400,000 income from waste exemptions and £350,000 from waste carrier licence renewals which generate the bulk of the income from applications.

Land reclamation and treatment of land with waste are the highest charged waste exemptions (Paragraph 9). Renewals are currently £770 and will rise to £893 over two years.

Waste carrier renewals are currently £111 and will rise to £129 over two years.

Impact on subsistence charges

Annual WML subsistence income is currently £2.68 million

These proposals will increase subsistence charge income to £3.11 million in 2015/16

- 135 licensed activities (12%) pay no (zero) charges
- around 50% of those paying WML charges pay less than £2,000.
- A £2,000 charge will increase to £2,120 over two years.
- six waste activities pay more than £10,000 up to a maximum of £13,077 per annum
- the largest subsistence charge will increase from £13,077 to £15,168 over two years

Impact on largest waste customers

Annual charges of currently £116,000 pa (£54,000 for waste activities and £62,000 PPC charges) will increase by 10.3% to £128,000 (£63,000 + £65,000) in 2015/16

Impact on the two Councils currently paying the highest charges

Annual charges which are currently £163,000 and £112,000 will increase to £180,000 (10.4% increase) and £125,000 (11.6% increase) respectively, in 2015/16.

Overall impact of subsistence charge increases

Subsistence charges will increase by an average of 6.4% over the two year period. The impact will vary across Standard Industrial Classification (SIC) sectors from 5.6% for Agriculture, Forestry and Fishing and Utilities, including the water and energy industry, to 10.8% for Public Administration activities. This higher increase reflects the large number of waste activity licences which Councils hold.

Annex 2 SEPA fees and charges trading accounts 2012/13

2012/13 Schemes	COMAH £000	CRC £000	AVIATION £000	PPC A £000	PPC B £000	RSA £000	Waste £000	SPW £000	ETS £000	WEWS £000	TOTAL £000
Income	-203	-166	-8	-4,266	-1,237	-2,409	-4,646	-1,509	-317	-20,388	-35,151
Expenditure											
Staff Costs	215	106	7	3,701	707	1,181	4,020	80	254	14,868	25,141
Depreciation / Cost of Capital	8	6	0	187	40	40	173	3	14	1,577	2,048
Bad Debts	0	0	0	23	80	9	154	3	0	14	282
Other Operating Charges	61	101	2	1,578	215	879	1,256	25	131	5,207	9,454
Total Expenditure	284	213	10	5,489	1,042	2,108	5,603	110	399	21,666	36,925
Under/(Over) Recovery	81	47	2	1,223	-196	-300	957	-1,399	82	1,278	1,774
% Cost Recovery	72%	78%	85%	78%	119%	114%	83%	1368%	79%	94%	95%

2011/12 Schemes	COMAH £000	CRC £000	AVIATION £000	PPC A £000	PPC B £000	RSA £000	Waste £000	SPW £000	ETS £000	WEWS £000	TOTAL £000
Income	-252	-163	-8	-4,439	-1,309	-2,455	-4,394	-1,616	-265	-19,929	-34,830
Expenditure											
Staff Costs	215	120	10	3,613	764	1,231	3,396	258	235	15,005	24,847
Depreciation / Cost of Capital	10	7	1	184	46	40	148	4	13	1,555	2,007
Bad Debts	0	0	0	10	36	4	69	1	0	6	127
Other Operating Charges	53	95	2	1,529	236	797	1,076	51	162	5,165	9,167
Total Expenditure	278	222	13	5,336	1,082	2,072	4,690	314	410	21,731	36,148
Under/(Over) Recovery	25	59	4	898	-227	-383	296	-1,301	146	1,801	1,318
% Cost Recovery	91%	73%	65%	83%	121%	118%	94%	514%	64%	92%	96%

Annex 3 Consultation on a proposal to increase charges in 2014/15 and 2015/16

Respondent Information Form

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

Title Mr Ms Mrs Miss Dr *Please tick as appropriate*

Surname

Forename

2. Postal Address

<input type="text"/>		
<input type="text"/>		
<input type="text"/>		
<input type="text"/>		
Postcode	Phone	E-mail

3. Permissions - I am responding as...

Individual

/ Group/Organisation

Please tick as appropriate

(a) Do you agree to your response being made available to the public?
Please tick as appropriate Yes
 No

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis
Please tick ONE of the following boxes

Yes, make my response, name and address all available

Yes, make my response available, but not my name and address

Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public.

Are you content for your **response** to be made available?

Please tick as appropriate Yes
 No

(d) We will share your response internally with other parts of SEPA who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for SEPA to contact you again in relation to this consultation exercise?

Please tick as appropriate Yes No