

If telephoning, please ask for:  
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## **SEPA SUSTAINABLE FUNDING MODEL - PROGRESS AND NEXT STEPS**

I am writing to update you on progress with the SEPA-Scottish Government sustainable funding model project, a key component of the joint Better Environmental Regulation programme.

We consulted formally on our funding proposals during the winter of 2012, and supported this with a number of stakeholder meetings. We were very grateful for the responses and attendance at various stakeholder meetings. We received a total of twenty three written responses to the consultation, an analysis of which we are today publishing on SEPA's website. You can find a copy of the consultation analysis [here](#).

As part of the consultation we also took the opportunity to consult on proposals for a new statutory purpose for SEPA. Whilst this received majority support we recognise the fact that there were some strong mixed views on the proposals, with some concern expressed around the proposal for SEPA to contribute to sustainable economic growth. The proposed statutory purpose now forms part of the Regulatory Reform (Scotland) Bill and was informed by these comments. This Bill has been submitted to Parliament and you should be aware that the Rural Affairs, Climate Change and Environment Committee has called for written evidence on the proposals.

I am pleased to say that our core proposals received broad general support and that we intend to move forward with the key aspects of the consultation proposals around linking business charges to a combination of environmental risk and operator performance. We also intend to progress the model identified in the consultation as the preferred option for a charge based on a combination of a variable and standing charge, aligned to risk, which received majority support and which ensures all regulated businesses except the very lowest risk should pay a contribution to the costs of Scotland's environmental protection system.

There were a number of proposals that did not receive majority support, or where we need to further refine our thinking prior to progressing them. In addition, we recognise that stakeholders expressed a number of concerns or made points that we need to consider going forward. These include matters such as the definition and scope of the proposed environmental risk assessment, the level and triggers for the proposed poor performance charge, and the need for more detail on a range of other matters.

We are clear that input from stakeholders to date has been extremely valuable in shaping our thinking and we wish to maintain that input going forward. We are committed to maintaining a high level of stakeholder engagement on the project and listening and acting on the views received. Our funding model plans are part of our long-term change agenda and whilst we wish to move as quickly as we can to implement, we also recognise the fundamental importance of getting the proposals right as we move into implementation mode.

Therefore, there will be no fundamental changes to the structure of charging schemes in the short term beyond necessary increases for inflation, and ongoing changes to our existing charging schemes will be kept to a minimum. We will continue to engage with stakeholders at an early stage on the design of a new risk framework to underpin a new single charging framework and ultimately throughout on proposals for a new charging scheme and performance related charges. We envisage that there will be a phased implementation of new charging arrangements in due course over the period to at least 2016.

With this commitment in mind, I can also draw to your attention our plans for:

- a stakeholder workshop planned for June to explore the potential principles, definitions, issues and high level options for designing and implementing an effective, robust and credible environmental risk assessment
- the formation of a stakeholder group to work with SEPA and the Scottish Government to assist with taking the work forward as part of the overall change agenda
- further work to clarify our terminology and purpose behind a number of key terms such as flexibility, accountability and the polluter pays principle and
- in the coming months to share a clear plan with key timescales, tasks and milestones for our proposals going forward

The lead for this work going forward will be Martin Marsden, SEPA's Head of Environmental Quality.

Can I thank you again for your interest and hope you will continue to engage as we move into the next phase of the process.

Yours faithfully,

Calum MacDonald  
Executive Director