

Sustainable Funding - Baseline Research

SCOTTISH ENVIRONMENT PROTECTION AGENCY

- 03 October 2012



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1. Introduction

SEPA procured SKM on the basis of SEPA Tender Brief 'Sustainable Funding Project – Flexible Consultancy Support (reference R11181PUR) to provide strategic advice in respect to Sustainable Funding. The first agreed task 'SFM-External Task 1 Research vn2' (31 May 2012) of the consultancy support was to undertake additional background research of regulatory agencies and the funding models that they apply. This document accounts for the work undertaken in this first task.

1.1. Objective

The purpose of the task is to gather and analyse factual evidence of funding models in current use across regulators as a benchmark to allow comparison against current and/or proposed SEPA Funding models. Targeted users of the output from this research include the SEPA Sustainable Funding Model project team, Better Environmental Regulation (BER) board, SEPA management team and Scottish Government. The intention is to use the data in forming and supporting funding options and for the general Funding Consultation Document.

1.2. Method of Approach

The method of approach was:

1. Identify a targeted sample group of funded bodies;
2. Creation of a question set;
3. Research on funding of selected organisations using developed question set;
4. Factually based report (Identification of innovation).

1.3. Contents

The contents follow a logical order starting with the method and approach of the basic research undertaken. Chapter 3 outlines the key funding models used by the respective regulatory agencies while Chapter 4 and 5 provide more detail on the Grant-in-Aid and the Non Grant-in-Aid funding routes respectively. The final chapter brings together some of the innovative processes employed within the researched regulatory agencies.

Supporting references and profiles of all the regulatory agencies researched are supplied in Appendix 1 and 2 respectively.

1.4. Use of the Document

The document is intended to support discussion and possible direction in a range of areas that may benefit the process of evolving SEPA's current and future sustainable funding strategy. It has been undertaken on the understanding that further more detailed research may be required in the future.

It is not designed to be a reference source for any other form of activity (see sections 2.4 and 2.5 on uncertainty and disclaimer).

2. Method

2.1. Identify a targeted sample group of funded bodies

2.1.1. Initial Funding Research Undertaken

SEPA undertook internal research of funded regulatory agencies and reported the findings in '*Review of Funding Models – Report by Environmental Strategy Department to Sustainable Funding programme Board, March 2011*'. This research was restricted to determination of the relative proportion of regulatory budget gained from Grant-in-Aid (GiA) government funding and commentary on non GiA funding mechanisms.

Regulatory Agencies within this initial research were: Scotland (SEPA and Transport Scotland), UK (Food Standards Agency, Ofcom, Health and Safety Executive, Financial Services Authority, and Planning authorities (England and Wales), and environmental regulatory bodies in Australia (New South Wales and Victoria), Brazil, Denmark, Ireland, New Zealand (Environment Canterbury), Norway, Sweden and USA (USEPA). The SEPA objective was to gain a reasonable cross section of regulatory agencies within the UK and Internationally.

2.1.2. Other Funding Research Identified

The Financial Services Agency (FSA) undertook a major research project '*Researching Regulatory Funding Models*' (30 April 2009). The FSA had undergone significant internal changes resulting in increased costs and pressures for the regulation of financial services. The research was conducted with the objective of supporting a strategic review of funding models and how they may be applied to any proposed changes to funding models used by the FSA.

Over 108 regulators (mainly financial, but also a range of other regulators) were selected from the UK and Internationally. The research profiled each of the regulatory agencies in respect to their funding and the report identified the typical common funding mechanisms and their relative use across regulatory agencies. Several non Regulatory bodies of interest were also included, e.g. Scottish Water.

2.1.3. Current Research

The current research is essentially an extension on the existing research undertaken as described above, while adding some further candidate environment, regulation organisations of a similar size to SEPA. The overall sample for research is a targeted sample, but should not be viewed as statistically representative of all regulators or environmental regulators within the UK or internationally. The targeted sample was selected as a broad cross section to provide a reasonable indication of what funding mechanisms are in use. The sample also looks to identify innovative approaches, which could provide useful data on the process for evolving a sustainable funding process for SEPA.

The following table highlights the regulatory agencies selected, including whether they have been included within Financial Services Agency research.

Table 2.1: Selected Funded Regulatory Bodies

Geography		Funded Body
UK	UK (FSA Study 2009)	Advertising Standards Authority
		Care Quality Commission
		Civil Aviation Authority
		Higher Education Funding England
		Office of Fair Trading
		Office of Rail
		Office of Water Services
	UK	Food Standards Agency / MHS
		OfCom
		OfGem
		Health & Safety Executive
		Financial Services Authority
		Health Protection Agency
	England & Wales	Environment Agency
		Natural England
	Scotland	Transport Scotland
		Scottish Water
		Forestry Commission
		Scottish Natural Heritage
		Scottish Courts
Marine Scotland		
SEPA		
Non UK	Europe	Netherlands RVIM
		Denmark EPA
		Ireland EPA
		Sweden EPA
	World	Australia - Victoria EPA
		Australia - NSW
		New Zealand EPA
		USA EPA

2.2. Creation and Development of Question Set

The research question set was based on meeting the specified objectives of the study which were agreed and modified, as required, with SEPA. The question set is split into two parts where the first part is wholly on GiA funding and the second part is only triggered where the GiA is less than 100% of funding.

Table 2.2: Research Questions

Name of the Organisation				
Description of Agency				
Budget	GiA Fund	Revenue	Staff	Location
Total Budget	Public Funding	Income	Employees	Region
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	0%	0%	0%
Financial Overview				
1	Outline description of the gross operating budget and how operations are funded.			
Government Funding				
2	Application	Description of the mechanisms for application for grant aid funding		
3	Flexibility/ Legislation	Description of any flexibility to accommodate changing circumstances		
4	Pressures	Outline of the general drivers and trends with respect to expectations, revenue, change in GiA etc.		
5	Linked Objectives	Outline of any links between objectives, performance and funding		
Non-Government Funding / Innovation				
6	Innovative Solutions	Outline of any innovative funding solutions and where feasible information on the advantages or disadvantages		
7	Research/ Studies	Outline or reference to any studies in respect of innovative funding solutions and their impact, application and behaviour.		
8	Risk based charging	Outline of any use, application and management of risk based charging schemes		
9	Earned recognition/ Incentives	Outline of any earned recognition or incentive based schemes, how they are managed and advantages or disadvantages.		
10	Use of Funds	Outline of the use and the application or flexibility of Funds		
11	Tax & Levies	Outline of the use, management and advantages/ disadvantages of tax/levies including impact and behavioural change.		
12	Recoverable Services	Outline of any schemes where resource can be recovered for particular skills or services provided		
13	Crime and Fines	Outline if regulatory actions can be taken to prosecute or fine and whether the costs and revenues can be used.		
14	Annualisation	Outline any possible mechanisms for managing budgets and transfer between financial years.		
15	Other	Any other relevant points		
				Date

It should be noted that:

- not all of the questions were relevant to all of the regulators as the remit and requirements alter between regulators, and
- in many cases the information is either not directly available within the terms of this research.

2.3. Research Methods

The mechanism of research was based on analysing Corporate Annual Reports and Accounts (in most cases 2011) as well as related documents in respect to Funds, Levies, Trusts and Taxes. Local knowledge and experience were supplemented with internet based research to respond to the questions required. In some cases the agencies were contacted directly to undertake some confirmation of the data or to gain further details on the innovative revenue mechanisms used.

2.4. Uncertainty

The research findings may contain a number of uncertainties including that relating to:

1. Interpretation of the publically available published accounts and reports;
2. Variable meanings attributed to common terms e.g. Budget
3. Translation of the accounts and publications;
4. Conversion foreign costs into Sterling;
5. Variances in factual data depending on time of publication;
6. Variances in published data from the same source;
7. Rounding of values and figures;
8. Lack of clarity in published data;
9. Variations in the remit between regulatory agencies; and
10. Small number of agencies and environmental agencies researched.

2.5. Disclaimer

The research report has been prepared on the basis of information that is available within the public domain. The contents have not been verified. The report does not purport to be all inclusive. SKM expressly disclaims any and all liability for any representation, warranty or undertaking, or omission expressed or implied, which is or will be given in relation to the truth, accuracy or completeness of this report and no representation or liability is or will be accepted by SKM. This report does not constitute any form of commitment or recommendation on or part of SKM.

3. Funding

3.1. Introduction

Regulatory agencies are created by Governments to undertake a specific function or range of functions that are linked with regional or policy compliance while achieving a balance and consistent framework for business, industry and public to operate within. In addition, the range of functions of some regulatory agencies is also linked to practicalities and legacy related aspects. Similar agency types will often have different functions and objectives and legislative remits. Hence they will have different resource, management and funding requirements.

Comparison of research findings is a little like comparing apples and pears. However, the work undertaken is designed to provide a foundation to increase the level of understanding of funding practices used by regulatory agencies to inform future strategic decisions.

3.2. Budget Funding Requirements

3.2.1. Terminology

The overall budgets given are interpreted from the written materials reviewed and are derived from the specified budget, the operational costs or the combination of GiA and revenue income. The figures used provide a broad representation of the budgets applied.

3.2.2. Activities Requiring Funding

Regulatory agencies typically have to source funding to pay for one or more of the following activities based on their remit and objectives:

- Regulatory activities (e.g. inspections, audits, licensing);
- Grants to third parties for specific activities;
- Specific activities that central government have requested (e.g. policy development);
- Monitoring Networks (e.g. air, water);
- Inputs to planning and impact assessment;
- Legal;
- Research (e.g. evidence base for strategic environmental policy);
- Guidance (e.g. planning, regulatory, communication);
- Overheads (e.g. offices, management, pension provisions);
- Provision of Laboratories;
- Communication (e.g. education, liaison, awareness);
- Emergency planning, emergencies and pollution response; and
- Core and specialist skill set for advisory functions.

Each agency will not necessarily have the same remit and objectives and some may have a greater emphasis in one of the above aspects.

3.2.3. Staffing and Budget levels

The identified budgets and staffing levels are highlighted on the following Figure:

Figure 3.1: Budget and Staff Relationship

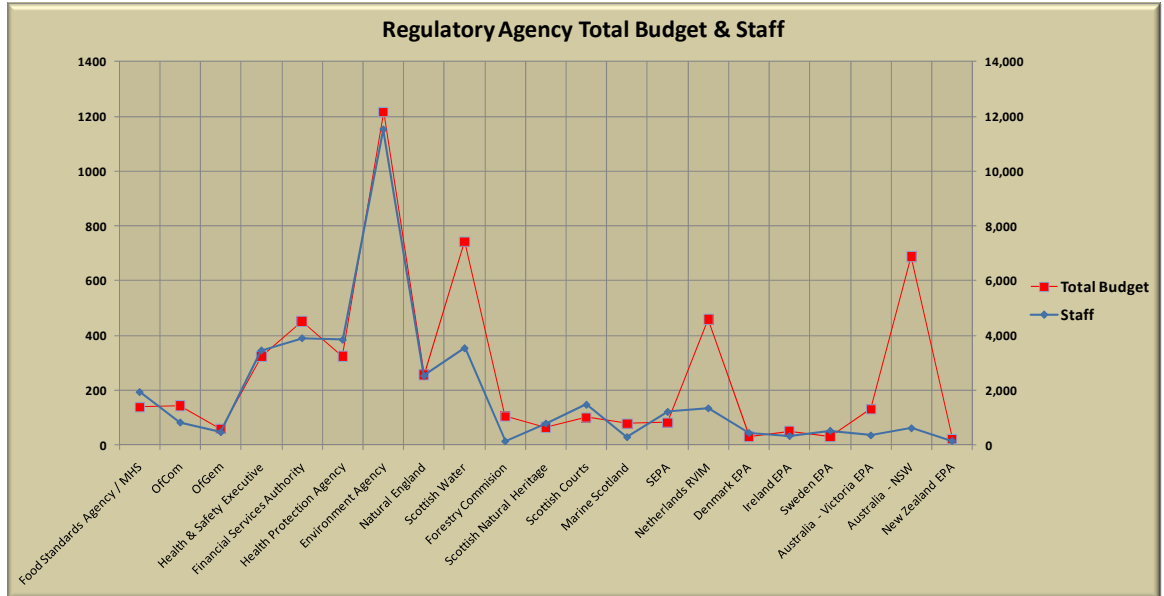
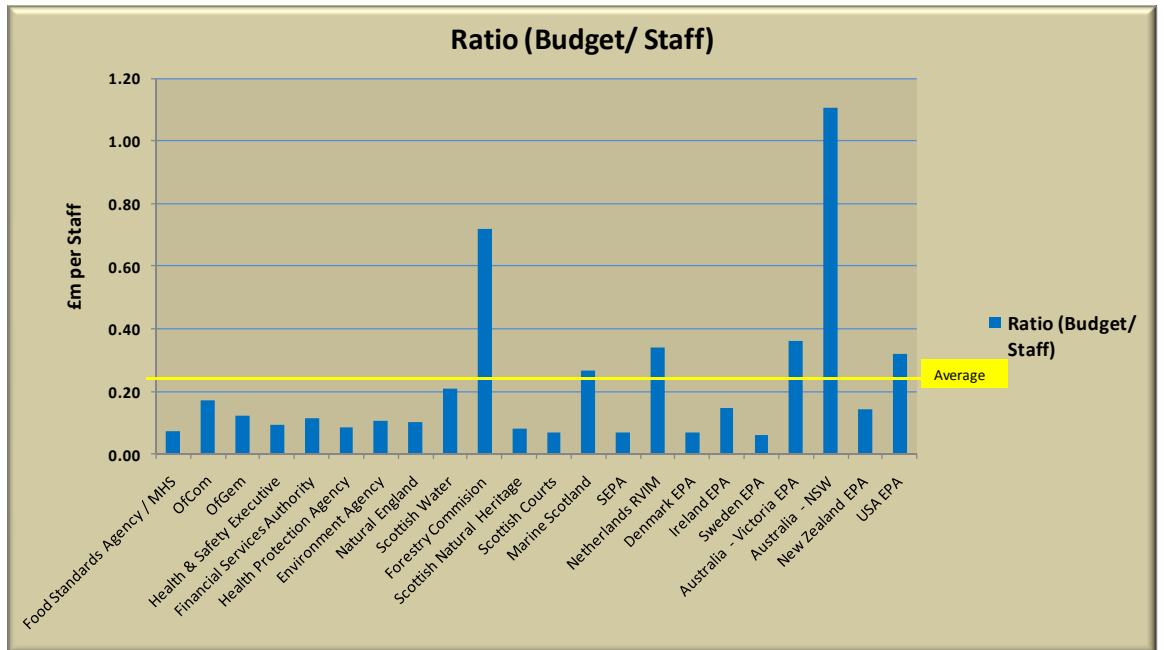


Figure 3.2: Ration of Budget to Staff (£m per staff)



Note: Transport Scotland and USEPA have been removed from one or both of the above figures as they were considered outliers (so large that all of the normalised data was significantly skewed). Note investment/loan level is not included within Scottish Water budget.

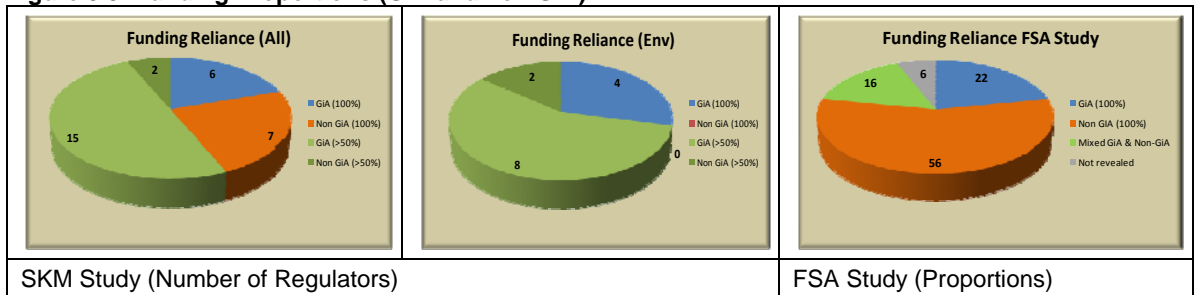
The graphs of budget and staff indicate that there is a broad relationship between the budgets allocated and the staff resource available. Where a regulator has a higher budget/staff ratio or budget level compared to staff then it generally follows that the regulator also manages large scale funding schemes on or behalf of government (e.g. The Forestry Commission provides funding for large scale community/environmental projects and supplies grants to farmers).

3.3. Funding Models

3.3.1. Basic Funding

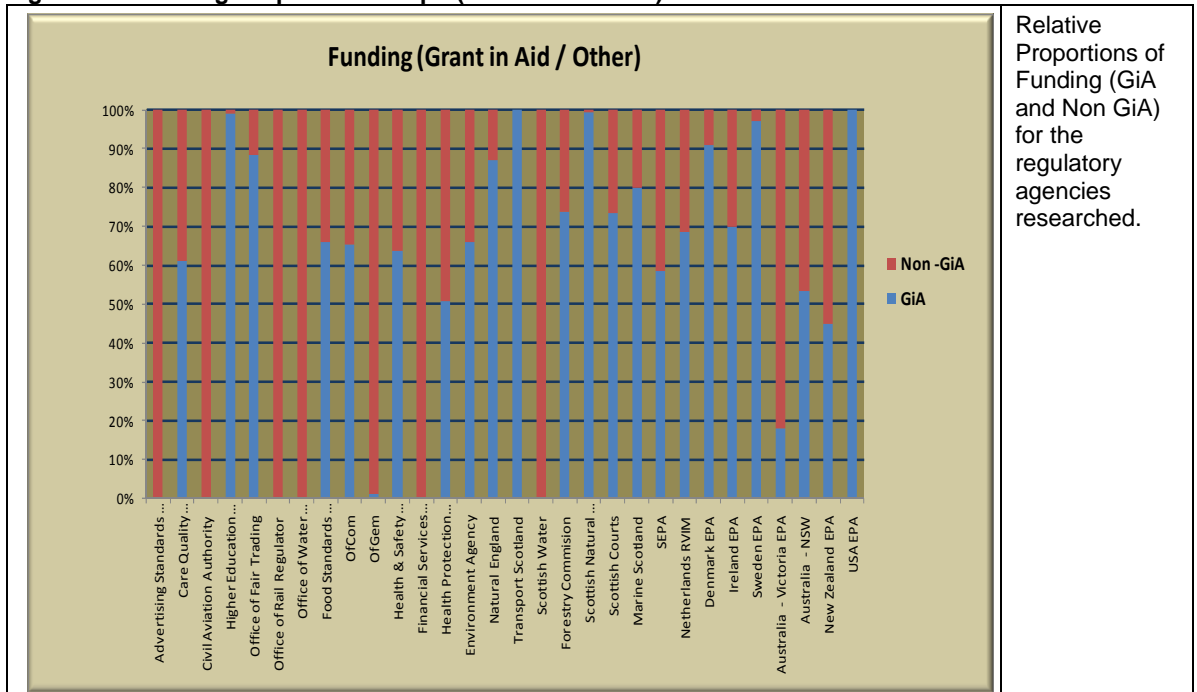
The proportions of or reliance on government funding varies depending on the type of the regulator. The Financial Services Agency report *Researching Regulatory Funding Models 2009* and the current study identified that c22% of regulators were funded entirely with Grant-in-Aid funding, while a larger proportion 34% to 56% are completely funded from business. The remaining regulators are funded via a combination of financial mechanisms. The higher level of regulators funded entirely from business revenue within the FSA study is likely to be a consequence of the focus of the study on a high proportion of financial regulators. Looking at solely environmental regulators, none are fully funded by business, 27% are fully funded through Grant-in-Aid and the remainder are funded at average 71% GiA / 29% Non-GiA Split.

Figure 3.3: Funding Proportions (GiA and non GiA)

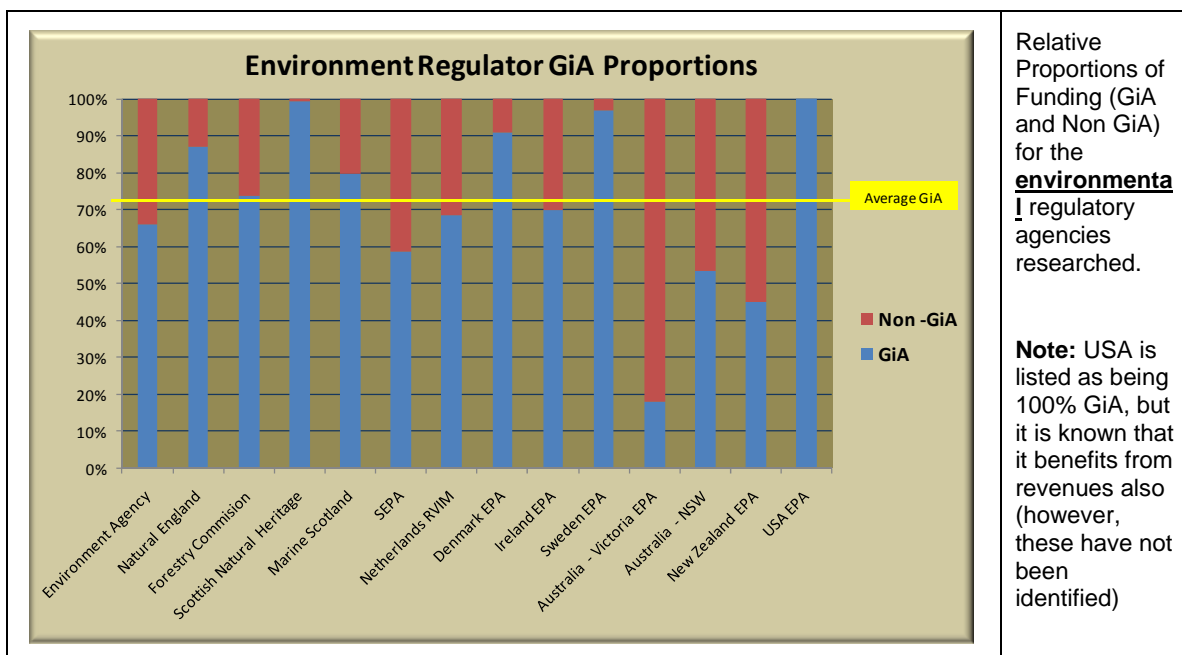


The Advertising Standards Agency, Civil Aviation Authority, Office of Rail Regulator, Office of Water Regulator, Office of Gas & Electricity Markets and Financial Services Agency gain all their revenue from non Grant-in-Aid funding where funding is from Industry. Conversely, the Higher Education Authority, Transport Scotland and Scottish Natural Heritage gain almost all of their funding from Grant-in-Aid.

Figure 3.4: Funding Proportions Graph (GiA and non GiA)



Relative Proportions of Funding (GiA and Non GiA) for the regulatory agencies researched.



Relative Proportions of Funding (GiA and Non GiA) for the **environmental** regulatory agencies researched.

Note: USA is listed as being 100% GiA, but it is known that it benefits from revenues also (however, these have not been identified)

3.4. Funding Mechanisms

The research undertaken has shown that the following financial mechanisms are applied to varying extents to create a funding model:

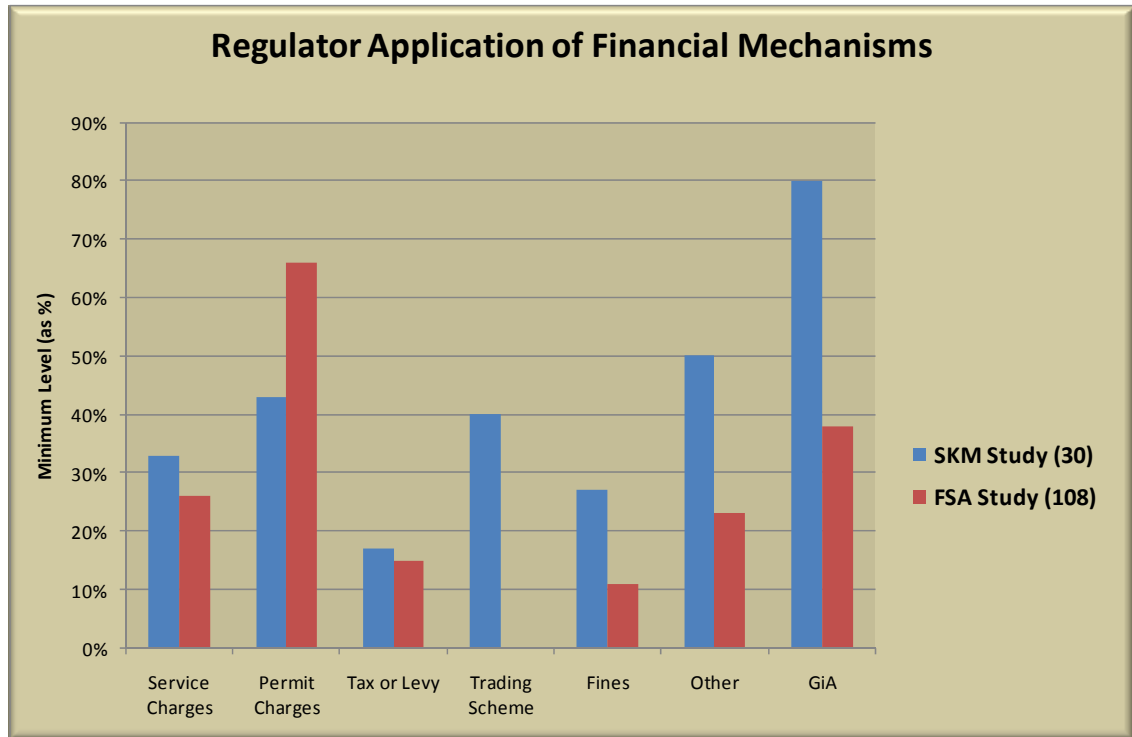
Table 3.1: Typical Funding Mechanisms

Financial Mechanism	Outline Description	Example
Service Charges	Service charges are for the provision of specific services applied for non-licensed functions.	The Financial Services Agency gain income from the operation of the Money Advice Service.
Permit Charges	Charging schemes for regulatory licensing activities. Charging can be applied as direct cost allocation, standard annual fees; volume related fees or risk based charging mechanisms.	The Office of Rail charges organisations for permits to operate, the charge applied is reflective of the extent of operation and the business turnover.
Tax or Levy	A general charge is applied to business based on an activity or by the turnover of the business.	New South Wales EPA manages the Coal Wash Levy which is based on volume. The majority of the income is applied to the Environment Fund and a proportion is used by the EPA.
Trading Schemes	Fees and value income from management of trading based schemes	The Energy Efficiency Scheme is a carbon trading scheme managed by the EA where revenues are used to pay for the cost of administration, management and regulation.
Fines	Revenue from Fines is given to some regulators as income.	Ofcom retain all revenues from fines and criminal activities etc
Other	Includes research, use of laboratories, interest on funds, renting properties, licensing intellectual property and sale of publications	The Health Protection Agency gain significant revenues from the third party use of their laboratories.
GiA	Grant in Aid funding typically balances the remaining gaps in funding requirements.	

The Financial Services Agency study *Researching Regulatory Funding Models 2009*, undertook a basic analysis of regulators (108 regulators, mainly financial and across the globe) and what

financial mechanisms were employed together for funding. The current SKM analysis of regulators (30 regulators, mainly environmental and across the globe) also undertook an analysis of the financial mechanisms using similar categories as that of the FSA study. Apart from those regulators that only used Grant-in-Aid funding solely, the majority of regulators had further financial mechanisms for providing revenue to fund activities and off-set GiA. The following graph shows the proportions of financial mechanism use based on the FSA and the SKM data.

Figure 3.5: Financial Mechanisms (Number of Regulators by Proportion)



The relatively greater proportion of environmental regulators within the SKM research manifests in the higher proportion of GiA as compared with the Financial Services Agency research data. There appears to be a higher preference for environmental regulators to use Permit and Service Charges for generating revenue while the data generally highlights that a broad range of key financial mechanisms are utilised for revenue incomes. There is insufficient sample data for drawing any conclusions relating to region or type.

The following graphs highlight the actual and proportions of the funding mechanisms for each regulatory agency assessed (with the exception of USEPA which is £5.5bn and recorded as 100% GiA).

Figure 3.6: Funding Revenue (actual value by funding mechanism)

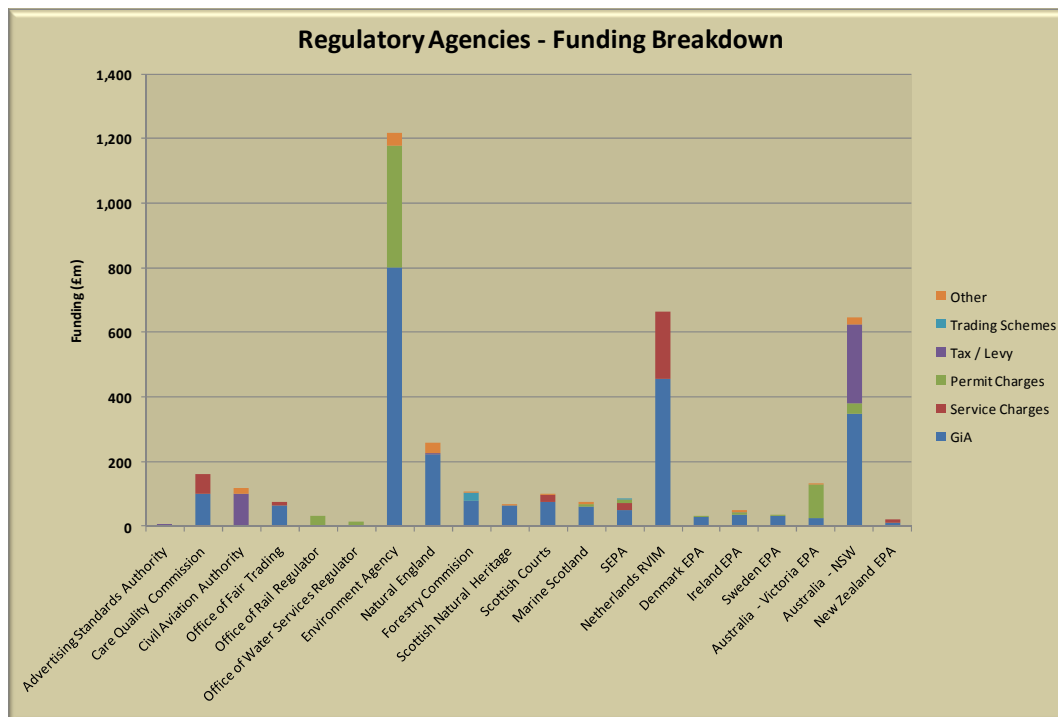
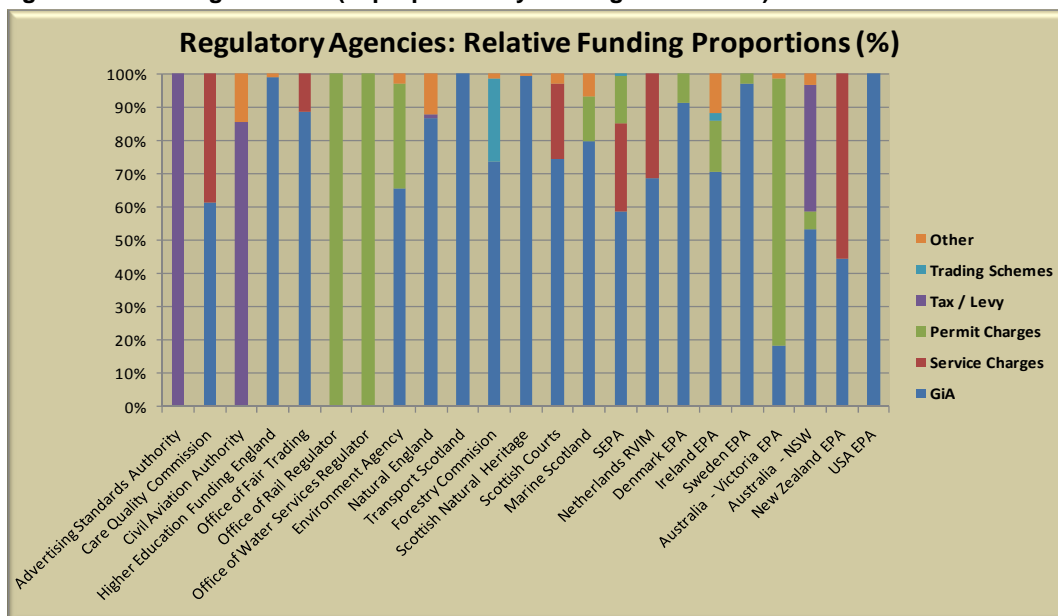


Figure 3.7: Funding Revenue (% proportion by funding mechanism)



The purpose, structure, remit and priorities of all of the regulatory funding bodies are not consistent and only broad conclusions or comparison can be drawn. Further, the level of funding and revenue varies for the various specific tasks between regulatory bodies. There is no direct relationship between regulatory tasks and the funding that is provided other than at a generic level. The level of uncertainty and results from the sample selected should only be used as a general guide.

4. Grant-in-Aid Funding

Grant-in-Aid (GiA) funding is provided in 80% of the regulatory agencies researched with an overall average of 71% of total funding for those that receive some form of GiA funding. The UK governments provide £11.2bn of funding to the 22 researched regulatory authorities based in the UK.

4.1. Application Process

The research implies that the majority of GiA funding is applied to central or regional government in a cycle of three to five years with agreed adjustments made on an annual basis. Within the UK, the funding applications (or budgets requiring approval) tend to follow the Treasury related guidance framework and rules (e.g. Strategic Spending Review).

The yearly cycle generally means that any surplus is passed back to the Treasury/government where a small proportion is allowed for carry over. The exceptions are where funding is provided for longer term specific projects (Scottish Natural Heritage and Natural England) or where funding surplus is allowed to accumulate in an Environmental Fund (e.g. Australia Victoria EPA).

Some regulatory agencies are allowed to carry over any surplus to the following year (e.g. the Health Protection Agency and the New Zealand EPA) while the Financial Services Agency balances any surplus with its rolling credit facilities.

4.2. Flexibility and Legislation

Legislation provides a legal framework for regulatory agency operation, including flexibility to apply or change financial mechanisms for funding income. In the majority of cases examined, a legislative change is required to use or change financial mechanisms. In addition, for most agencies there is a requirement to undertake business and environmental impact assessments on the proposals.

The legislative framework for newer agencies (e.g. NSW EPA) appears to have been considered more thoroughly at the inception stages to build in flexibility to accommodate possible future changes or variations that may be required in the financial mechanisms. Older regulatory agencies appear to have less flexibility in their abilities to change, modify or add financial mechanisms. These often have some legacy issues to overcome also (e.g. when two agencies merge, with different charging systems).

4.3. Pressures and Trends

All regulatory agencies have a set of programmes and internal performance based initiatives which are undertaken to increase efficiency and make best use of available resources. These requirements are extending to outwardly focussed schemes relating to the regulatory processes (e.g. better regulation, red-tape initiative) that directly impact business. These result from a general requirement from the respective central governments to reduce the level of GiA funding and to reduce the financial impact on business.

Typical financial savings requests are between 5% and 20% and are normally managed over a 2 to 5 year financial period and monitored on an annual basis. This is similar for all regulators except for the financial sector which is increasing the level of staffing and charging.

Some pressures and trends are based on policy direction. For example significant additional resource is being applied into the Financial Services Agency to manage banking and financial regulation as a consequence of the current recessionary environment and the banking scandals.

There is an overall general pressure on attempting to do more work with less resource.

Further trends include the growing use of ecosystem valuation in determining environmental policy and charging.

4.4. Linking Objectives and Performance

There is some, but little publically available data that shows a direct correlation/relationship between the level of funding supplied and how it relates specifically to the overall objectives, performance and efficiency and the possible impact. Some accounts (e.g. Swedish EPA); relate budgets (and those from GiA) to specific activities or objective areas.

5. Non-GiA Funding Revenue

The previous Financial Services Agency and current (SKM) research have identified a number of non-GiA funding mechanisms used by regulatory agencies. These include one or more of the following financial mechanisms:

- Regulatory Charging Schemes;
- Tax or Levy;
- Trading Schemes;
- Fines; and
- Other.

The research indicates that 70% of regulatory agencies apply some form of service or permit charging scheme accounting for a range of 12% to 100% of total operating budget. The remaining 30% of regulatory agencies are funded through grant-in-aid or applied levies.

Table 5.1: Range of Funding Mechanisms

Funded Body	GiA	Non -GiA	Service Charges	Permit Charges	Tax / Levy	Trading Schemes	Other
	%	%	%	%	%	%	%
Advertising Standards Authority							
Care Quality Commission							
Civil Aviation Authority							
Higher Education Funding England							
Office of Fair Trading							
Office of Rail							
Office of Water Services							
Food Standards Agency / MHS							
OfCom							
OfGem							
Health & Safety Executive							
Financial Services Authority							
Health Protection Agency							
Environment Agency							
Natural England							
Transport Scotland							
Scottish Water							
Forestry Commission							
Scottish Natural Heritage							
Scottish Courts							
Marine Scotland							
SEPA							
Netherlands RVIM							
Denmark EPA							
Ireland EPA							
Sweden EPA							
Australia - Victoria EPA							
Australia - NSW							
New Zealand EPA							
USA EPA							

5.1. Regulatory Charging Schemes

The charging based schemes are based around achieving recovery for the costs associated with the activity being charged for on a cost neutral basis. The research undertaken indicates that one or more of the following charging schemes is applied:

Direct Cost Allocation – Fee charges which are calculated on the basis of estimate and cost incurred against a particular task.

Standard Annual Fee – A flat fee in order to allow participants to operate in a particular market or sector, charged on an annual basis.

Volume Related Annual Fee – Organisations pay an annual fee based on a particular volume related metric (agreed fixed fee for service).

Risk Based Charging – Organisations pay a premium or discount depending on the level of risk relating to that organisation or activity.

The application is determined on the particular activity and the sector.

5.1.1. Direct Cost Allocation

The majority of regulatory agencies incorporate a mechanism for charging for regulatory services using direct fee rates, which are often calculated on the basis of an estimate.

Where there is information available on the calculation of fee rates, the calculation appears to vary depending on the particular charging scheme (e.g. SEPA include transport and subsistence in fee rates for COMAH charging activity, but these are charged as extra for Radioactive Substance Authorisation charging schemes). The general fee calculation generally includes salary and a proportion of overhead contribution. There is some evidence that GiA is used to subsidise rates applied (e.g. Denmark have particularly low rates of £32/hr for charging schemes for industrial facilities).

5.1.2. Standard Annual Fee

This is similar to a subscription fee, where a flat fee is charged for a permit or service. The fee is charged irrespective of the variations in the size and nature of the activity and is generally applied in circumstances where level of resource required does not vary substantially.

5.1.3. Volume Related Annual Fee

The most commonly applied charging scheme is the Volume Related Annual Charge. This scheme is as per a Standard Annual Fee but has a variability to account for size or volume of activity, i.e. the larger the facility or the greater the activity then the higher the charge. One of the difficulties identified in this charging scheme is where the level of resource for managing poor performing regulated activities costs more than the sum recovered from the applied fee.

5.1.4. Risk Based Charging

The least advanced charging scheme (for environmental regulators) is Risk Based Charging, although better regulation schemes in the Nordic Countries, Australia, USA and UK are in the process of examining risk based approaches to charging.

The Environment Agency, SEPA and the Irish Environment Protection Agency all use a basic Operational Risk Assessment scheme (OPRA) for classifying industry into banding depending on industry type, size, environment and emission levels. It could be argued that this in itself constitutes a basic mechanism for risk based charging. However, current discussion and research is gearing towards a more integrated approach where the definition and calculation of risk is enhanced to take into account considerations such as potential to pollute the environment.

5.1.5. Charging Scheme Issues

Cross funding subsidy

This is where the burden of resource and cost from the regulator is balanced more to the poorer performing regulated organisations and activities and less on the good performing ones. The issue is that the good performing operators will accuse that the applied fees from charging are being used to subsidise the funding of regulation for poorer performing operators.

Where a fixed cost is charged for regulation there is always a potential risk that the level of effort will exceed the budget that is allocated for that activity.

Annualised Inflationary Increases

It is noted that charging schemes traditionally increase on an annual basis by the cost of inflation (e.g. Retail Price Index). However, in recent years many identified charging schemes have not been increased by RPI (including SEPA). If RPI (or equivalent) has not been applied then future adjustments will typically require an increased level of administration and approval because they fall within the adjustment rules. This in turn will require a Business or Regulatory Impact Assessment (standard assessment for determining impact of regulation). However, the RPI does not ensure cost recovery is maintained. It does help raise cost recovery in line with inflation but cost recovery is affected by some many other factors; eg changes in efficacy of delivery. This balance needs to be picked up from GiA (or other revenue) resulting in cost based recovery becoming much more difficult while placing pressures on any flexibilities within the GiA budget allowances.

Implementation or Alteration of Charging Schemes

New charging schemes (and significant alteration to existing schemes) require various levels of administration and approval depending on the agency. For example, in the UK, Australia and the Nordic Countries, any scheme must have no net increased regulatory burden on business as demonstrated through a business/regulatory impact assessment. The level of authorisation is often state or government level approval.

5.2. Tax or Levy

A tax is normally defined as an applied universal proportion of the business revenue related to a specific activity that is returned to central treasury. A levy is considered a more localised version but where the revenue is returned to the administrative area of the activity for the purposes of providing regulatory support, guidance, research, education and for identified special improvement projects.

Environmental taxes are employed by all countries researched. Typical taxes include those for fuel, transport and energy. The resulting relationship between the revenue from the tax and the central government spend is not clear in any of the countries reviewed. However, some countries (e.g. Nordic Countries) have undertaken research and work in an effort to integrate financial instruments so that they can be integrated into countries' environmental objectives, rather than just being used as central government revenue schemes.

Environmental levies are employed by all the countries researched. Typical levies include landfill tax, plastic bag tax, pesticides and aggregates levies. The resulting relationship between the revenue generated and agency spend is much clearer and more distinct. Nonetheless, determining a direct relationship between revenue generated, actions undertaken and prioritisation and type of expenditure will require further research.

5.2.1. Limitations

The ability of regulators to apply taxation, levies and trading schemes varies between country and region but most do require specific legislation. The research undertaken indicates that some Countries and agencies have used the legislative processes to provide future flexibility for tax/ levy application and modification rather than exploring such schemes independently.

The process within Scotland is currently limited by the devolved government's powers in changing taxations. It is understood that some powers relating to taxation will transfer to the Scottish Government in 2016 (including stamp duty, land tax and landfill tax). The current details including the nature and extent of these powers has not been determined as part of the research undertaken.

5.2.2. Environmental Levy Examples

The following are examples of environmental taxes, levies and trading schemes that apply in the UK and Ireland today.

Landfill Tax – A tax applied to organisations involved in the disposal of waste (encouraging waste producers to produce less waste) and is charged on the weight of all waste disposed (depending on the class of the waste) and payable to HM Revenue and Customs. The revenue

is collected into the **Landfill Communities Fund**. The fund enables landfill operators to claim tax credit for contributions they make to approved environmental bodies for spending on projects to benefit the environment. The environmental bodies are enrolled and regulated by the regulator ENTRUST.

The Entrust official annual account does not specify the value of the fund, nor a complete account how the money is spent or distributed. However, statistics show that it has received over £1.2bn of tax to date and records current costs in administrating the fund at 27%. From Scottish Government Accounts the recharge to the Scottish Government was £99m in 2010/11, although there are no specific details of how this is then distributed from the general fund.

It is understood that in 2012 SEPA will take on responsibility for collecting Landfill Tax levy revenues. However, the remit for how the accumulated fund will be spent has not been determined. It is understood that the Scottish Government will have increased devolved taxation powers in 2016, which would, in theory, allow changes to how the Landfill Tax is applied.

Aggregates Levy (Closed Post 2010 Spending Review) – A levy is applied to any operator who is involved in the extraction of minerals at a rate of c£2 per weight basis (t) on minerals extracted and payable to HM Revenue and Customs. The Fund is understood to be mainly cost neutral as the majority of the sum is recharged as a reduction of 0.1% in the employer's national insurance contribution. The remaining sum is channelled into an **Aggregates Levy Sustainability Fund** (ALSF) administrated by Defra (through 28 delivery partners and 18 local authorities) to provide grants to local areas which have been impacted by quarrying activities. The levy is considered VAT type single point taxation similar to the climate change levy or landfill tax.

Scotland Government gains a recharge (£54m in 2010/11) to the general fund and it is re-distributed from this fund. In England & Wales the ALSF has provided £65m of funding (2008 to 2011) to Carbon Trust, Natural England, EPA and Local Authorities for a combination of research and development and environmental improvement projects prioritised based on quarry impacted areas and national priorities.

Marine Aggregate Levy Sustainability Fund (Closed March 2011) – similar to that above as the charges were for aggregates. Those linked to marine environment were re-distributed via DEFRA for marine related projects and research.

Climate Change Levy – A levy charged on energy use based on the kilowatt-hours or kilograms applied if a business supplies taxable commodities (excludes domestic and charities). Energy intensive businesses which have entered into an agreement with DECC are entitled to reduced rates/reliefs. Registration and collection is directed to HM Revenue and Customs. A Fund is then created which can be used to supply grants, research and support for energy efficiency.

SEPA currently administrates the levy within Scotland under arrangement with the Environment Agency. The charging and revenue based schemes are fixed by DECC.

Plastic Bag Tax (Ireland) – A 22% direct levy is applied to every plastic bag which generates €17.5m revenue per year against a collection cost of <5%. The scheme was used to reduce the use of plastic bags by influencing behaviour while allowing revenue which could be allocated directly into an Environmental Fund. This Fund is administrated by the Department of Environment, which is used to provide additional and specific finances to the Irish EPA for enhancing regulatory initiatives, including paying for research.

Other Schemes – Non specific schemes which are used to raise revenue for dealing with environmental issues relating to specific activities include Section 75 Planning Agreements where Local Authorities apply a levy or condition relating to a development with the specific purpose of paying for environmental improvements and infrastructure relating to community welfare associated or linked to a development. There are no identified central records or statistics relating to revenue or tasks generated from this and it is unclear how the requirements/generated spend relates to national objectives for protecting and enhancing the environment.

A further scheme relates to financial mechanisms for mines and quarries where a local authority (as part of planning permission) can require the developer to set aside a suitable provision to ensure that allowance is made for meeting the obligations of the planning conditions over the long term should be the developer face insolvency or a significant pollution event occur. Although this is a provision which is managed in conjunction with the local authority it is a financial mechanism that can be used to offset uncertainty and unforeseen spend from existing unallocated budgets.

5.3. Trading Schemes

Trading schemes are typically where a regulatory agency operates a framework that allows trading in commercial credits/permits where revenue is generated from administration/charges applied to the schemes. The most widely used scheme is Emissions Trading where carbon dioxide credits are traded (i.e. an operator who exceeds their permit value can purchase credits from an operator that falls short of its permit).

A further example scheme in operation in the UK is the Landfill Allowance Scheme (LAS), where waste credits are traded between local authorities based on whether the local authority has exceeded or fallen short of agreed waste targets for diversion. This scheme is understood to be administered by the Environment Agency and Scottish Environment Protection Agency. Both are due to be closed after the current round of trading in 2012/2013.

The research indicates that the revenue generated from the schemes covers the costs of administration with little residual positive balance. However, use of trading schemes to change behaviour and achieve environmental improvement is an acknowledged tool and it is possible other schemes are under discussion.

One source of revenue for Forestry Commission is through trade sales of their products (Timber).

5.4. Fines and Penalties

5.4.1. Application

Fines and penalties can and are applied by many regulatory agencies for breaches or non-compliances or intervention in respect to permits and regulated activities. The level and nature of legislative powers varies between regulators, country and government administration. Fines can typically include four elements:

- Penalty for the breach (determined by the court within limitations) which can be applied to the corporation and/or individual;
- Charge for covering the associated costs for bringing the case to court (which may have some limitations) which can be applied to corporation and/or individual;
- Costs for work to rectify the problem or issue (e.g. cleaning up an oil spill); and
- Time applied penalty cost for continued breach or non-compliance.

It is understood, that, in some cases, such as the UK, such fines can only be applied after a successful prosecution. In other countries (e.g. NSW) fines can be applied by identifying that the breach or non-compliance has occurred.

Example: New South Wales EPA

Australia New South Wales Environment Protection Agency uses guidance 'Risk-Based Compliance' (Sep 2008) from the better regulation office to set levels of intervention required for regulation. The document sets out fourteen grades of intervention from lower level (persuasion) to higher level (strict enforcement). Improvement notices, on the spot fines and criminal prosecution are all activities within the stricter levels of intervention, while education, monitoring and cautions are all tools of lower level intervention.

The Protection of the Environment Operations Act 1997 (POEO) provides five mechanisms for applying fines, penalties and recovering costs from corporate or individuals at varying levels (maximum penalty is \$1m plus \$120k/day for every day the offence has not been resolved). The fines and penalties can be applied where there is reasonable suspicion and does not rely on a firm legal prosecution, but does require reasonable evidence (NSW, Better Regulation Office, Risk Based Compliance, 2008)

The level of fines and penalties is significantly greater for environmental regulatory agencies in the Nordic Countries, Australia and USA as compared to the UK. Within the UK, the utility and financial regulators have greater powers and can apply higher fines as compared UK environmental regulators.

The mechanisms for use, application and penalty levels are normally enacted in legislation. Changes, modifications or alterations normally require a legislative change or an amendment to the Regulatory Act.

5.4.2. Revenue Use from Fines and Penalties

The accounts for the researched regulatory agencies do not specifically identify the cost of legal intervention and the revenue gained from fines and penalties.

- Fines and penalty values;
- Cost of mitigating breach/non-compliance;
- Consequential costs relating to the breach/non-compliance (i.e. compensation, or third party costs);
- Costs (direct or indirect) for investigating, gathering evidence and any legal representation and actions;
- Costs relating to any losses from distraction from normal critical work; and
- Administration costs relating to intervention actions.

In some cases such as the Environment Agency and SEPA the revenue from fines and penalties are retained by Government/ Treasury and not returned to offset any specific costs for some or all of the items highlighted above. However, it is known that the NSW EPA, Victoria EPA, USEPA, Swedish EPA and Financial Services Agency all manage to apply, manage and recover revenue from fines and penalties. The inferred financial management mechanism appears to be that the revenue is directed into an Environmental Fund, which is normally required to be used for projects and work within a similar work area.

5.5. Other

The current and Financial Services Agency research indicates that 25 to 50% of regulatory authorities have other revenue based schemes that generate an average of 5% of budget requirements (removing the Health Protection Agency as an outlier) and a range of 1% to 15%. The main typical 'other' revenue streams are:

- Publications (and subscriptions);
- Research for Third Parties;
- Laboratories;
- Leases and Rents;
- Private Grants and Contributions;
- Sales of products and royalties;
- Recoverable Services; and
- Other.

5.5.1. Publications (and subscriptions)

Some regulatory agencies (e.g. Health & Safety Executive) generate publications derived from guidance or research which are then sold to businesses. Many of the publications supplied are freely available because the agencies also have a remit to communicate, educate and raise awareness. The publications that are charged tend to be much more technical and niche function and derived from specialised research.

The accounts (e.g. Health & Safety Executive) of regulatory agencies that gain revenue from sale of publications often show operational costs as being higher than the revenue gained.

Some agencies charge for subscriptions for membership of the respective agency or for a specific scheme (e.g. the Food Standards Agency operate a subscription based food hygiene rating system, a subscription based earned recognition scheme for food premises).

5.5.2. Research for Third Parties

Research activity appears to be undertaken by most agencies, particularly to inform policy, strategy, guidance and regulatory focus. A good proportion of the research is undertaken through Grant-in-Aid funding and is not viewed as a revenue stream in its own right. However, some of the regulatory agencies (e.g. Health Protection UK) do undertake significant research for third party agencies (which could in some cases be government sector, but not from the funding body). The Health Protection Agency gains £39m/yr from research related activities.

5.5.3. Laboratories

The environment and health related agencies tend to have testing laboratories for chemical and biological analysis. The cost of operating laboratories is significant, mainly due to the high value of the specialist testing equipment required. Some agencies sell lab time/services or analysis to third parties not necessarily as a revenue stream, but to offset the costs of the laboratories used by increasing their relative utilisation. The accounting balance (either positive or negative) after taking account of the revenue and the costs reflects the nature of the laboratory and the ability of the regulator to take commercial advantage.

The highest revenue stream for external laboratory use was with the Health Protection Agency at £71m/yr. However, the type/nature of lab use, clients and profitability was not established.

5.5.4. Leases and Rents

Many of the regulatory agencies lease or rent land and property to either other agencies or third parties and count the revenue as income on their accounts. The review did not establish the general availability of vacant or un-utilised land or property, but did note that the revenues were generally low in comparison with budgets.

5.5.5. Private Grants and Contributions

Private grants and contribution revenues are generally very small and linked to environmental regulatory agencies. For example, English Nature is allowed to accept gifts, grants and contributions which it can use to support environmental projects, including research.

5.5.6. Sales of Products and Royalties

Revenue income is only gained for a minority of regulatory agencies through the sale of products or royalties, possibly due to the possibility of regulatory conflicts. One key example is where the Health Protection Agency gains £35m (or 11% of total budget) from sales and royalties relating to the single chemical product Dysport (used for the treatment of cervical dystonia).

5.5.7. Recoverable Services

There is little evidence from the research undertaken that regulatory agencies provide and recover charges for specific services unless there is a clear distinction and purpose that does not conflict with commercial and competition aspects. Where this is evident (e.g. Scottish Natural Heritage) it appears to be limited and very low value (as compared to overall budget).

5.5.8. Other

Further notable revenue streams identified include:

Forestry Commission: has a 49% stake in Forest Holidays, lodge accommodation situated within its own landholding and operated with Camping & Caravanning Club as 51% shareholders (the revenue is not explicitly referred in the Forestry Commission Annual Accounts);

Forestry Commission (Scotland): gain £26.5m (25% of budget) from the sale of wood from timber operations; and

Financial Services Authority: revenue income is gained from the provision of the web based Money Advice Service (<https://www.moneyadvice.service.org>) (£1.2m or 0.1% budget) although it is not clear what the mechanism for this is. The FSA operate the service at a cost of £45.7m/yr which is funded from an annual industry levy. The MAS has a statutory obligation to consult with HM Treasury, department of Business Innovation and Skills and Office of Fair Trade when preparing budget and business plan.

6. Innovation

One of the objectives of the research was to undertake a broad examination of possible innovations and key aspects used and applied by regulatory agencies. These have been grouped as follows:

- Funds;
- Integrated Financial Instruments;
- Better Regulation;
- Managing Liability;
- Environmental Value;
- Planning;
- Performance; and
- Ownership.

6.1. Funds

Financial vehicles are typically used to manage and administrate revenues. They mainly come in the form of Trust Funds where they are managed away from central funding (arms length) and usually spent on a basis of a similar function/purpose. Funds are typically used as a means of making project related grants, for managing uncertainty (i.e. contingency), a mechanism to support research and for regulatory intervention.

Revenue sources for Funds are typically from the following sources (in order of perceived revenue levels):

- Levy;
- Direct funding from government;
- Fine;
- Grant allocated from local government agencies; and
- National Lottery.

Example: Victoria EPA
Victoria Government generate revenues from levies on landfill, landfill licence, prescribed industrial waste and fines for littering such is used to sustain the Environmental Protection Fund. This Fund is used to provide grants to Sustainability Victoria, Waste Management groups, EPA Sustainability Fund Account (Minister for Environment and Climate Change) and Victoria EPA (£3.9m) for intervention for compliance/enforcement/licensing (91%), strategy and regulation development (4%) and sustainability (5%).

It is understood that SEPA administer the Restoration Fund, which is funded by Scottish Government and used to provide grant based funding for projects relating to restoring the water environment where regulation would not prove possible or effective (value £1.2m 2011 to 2012).

One key difficulty for any regulator or agency is the problems of conflict, politics and transparency. In many cases Arms-Length Organisations comprising responsible and mixed board members are used to administer specific arrangements and Funds. In many cases such arrangements are undertaken to establish appropriate arrangements where conflict may arise in the regulatory process for specific tasks/projects.

Many of the current Funds (e.g. NSW EPA, Victoria EPA etc) have only been possible through the development of legislation which specifies the legal framework and governance of the funding, use and application of the Fund.

6.2. Integrated Financial Instruments

In particular respect to environmental regulatory agencies, there is growing information and evidence to the value of provision of a more integrated use of financial instruments in supporting environmental policy and strategy. The basic research undertaken encountered publications on the use of financial instruments, including:

- Measuring the Costs of Regulation, June 2008 NSW Better Regulation Office;
- The use of Economic Instruments in Nordic Environmental Policy 2006-2009, 2008, Nordic Council of Ministers;
- Economic Instruments in Environmental Policy, Feb 2012, Swedish EPA; and
- Environmental Economic Instruments, 2002 UK HM Treasury.

The general concepts being explored are how all the applied financial instruments (tax, levy, charge, trading schemes etc) can work together in a more integrated manner to achieve environmental strategy and policy objectives. The Danish and Swedish EPAs provide a comprehensive assessment which incorporates all of the respective agencies and government.

6.3. Better Regulation

The majority of the regulatory agencies researched had some form of programme of efficiency, much of which was based around prioritising regulatory work in a balanced and equitable manner. The main objectives in financial aspects of better regulation programmes include evolving charging systems that reflected the environmental impact of the activities which are licensed, create frameworks which achieved better communications, allow for flexibility in targeting, support earned recognition and simplify the business 'red tape'. Many regulatory agencies have demonstrated in their accounts that they have made general efficiencies but most are still in the process of examining and evolving systems/frameworks for charging. Good examples include New South Wales EPA (Australia) which has extensive business impact assessment and reviews of each charging scheme. Innovative Schemes identified include:

6.3.1. One Permit Scheme

Site based where all permits or licences are bound together into one permit, and operator is charged for the permit on an aggregated basis, but where the level of regulation is simplified. This scheme (bubble scheme) is in operation in New South Wales EPA and has been examined and is being considered in the Environment Agency.

6.3.2. Corporate Permit Scheme

A corporate based permit scheme is similar to the one permit scheme, but is extended for operators that may have similar based activities on a number of sites and where the permit can be held at corporate level to cover all operations. This form of permit scheme is used by the Victoria EPA and is designed to simplify the regulatory process.

6.3.3. Earned Recognition

According to recent research (DEFRA ERG117 Better Evidence of Regulatory Reform 2012) Earned Recognition is a mechanism for regulators to reward good practice with a lighter regulatory approach where operators earn trust through demonstration of good practice. There are three identified types of earned recognition identified within the research:

Third party certification and labelling schemes

The guiding principle is where good practice and environmental objectives achieved and quantified in the form of a certificate of recognition. Examples include: a voluntary Swedish Scheme based on Forest Stewardship Councils for sustainable forestry; and the Food Standards Agency where food premises that demonstrate a good standard and history of compliance are provided with star ratings and a lighter regulatory 'touch' (Food Standards Agency Citizens Forums, Earned Recognition Sept 2011). The certificate also provides a commercial status level to the service or product.

Self regulation including director level assurance

UK Forestry Commission have confirmed through consultation and the Regulatory Task Force (Challenging assumptions, Changing perceptions – A Report by the Forestry Regulation Task Force, October 2011) that an Earned Recognition scheme be implemented to provide a clear framework for reducing the burden of regulation and inspection for woodland managers based on long term forest management plans and assessment of risk. The emphasis is very much on self regulation and the qualifications and continued professional development of foresters.

The director level assurance is where director or CEO level sign off is required to enhance transparency where environmental management and governance at boardroom level are considered. The Defra report indicates this system being used in Australia.

Risk based regulation and auditing for compliance

The risk based approach is described as a more flexible approach whereby firms that demonstrate a continued level of compliance can be moved to a lower risk category and hence be charged less. The logical opposite of this is that poor performing firms move into a category of higher risk. There is some evidence of this currently within the Environment Agency, SEPA and EPA scoring systems for Operational Risk Appraisal (OPRA) or Operational Risk Assessment (ORA) where non-compliances are taken account of within the scoring and classification of the operator.

6.3.4. Voluntary Agreement

This is where operators or sectors which are less likely to impact the environment are bound by an overall agreement for a particular activity in place of a regulated permit. Very similar to Earned Recognition schemes but are applied to low risk business sectors in lieu of regulation. It is possible for certain schemes that a levy (or funding) is applied to administrate the agreement.

Example: The Voluntary Initiative (UK working with Environment Agency)

The Voluntary Initiative (VI) is an organisation that has been in operation for 10 years with a remit of working with farming practitioners to create voluntary approaches to promote and ensure best practice in the use of pesticides within the UK. VI has four major schemes working nationwide including the National Sprayer Testing Scheme (NSTS), the National Register of Sprayer Operators (NRoSO), the Crop Protection Management Plan (CPMP) and the BASIS BETA programme for practising agronomists to gain further understanding of the interactions between production and the environment. There are over 20,000 members and over 1.5m ha of land has been audited with 837 agronomists within the training programme (over 10% of this is relates to Scotland). Annual expenditure in operating the programme is c£12.8m/annum and is funded from the European Union and operated through The Voluntary Initiative Community Interest Company (VI-CIC). The steering group includes the National Farmers Union and the Environment Agency.

Unfortunately there is no available data to indicate if the initiative is resulting in reduced pollution impacts or increased performance. There is no clear indication of integration with regional environmental policies and environmental protection or licensing.

6.4. Managing Liability

Liability in this context relates to possible events or scenarios that are unforeseen or unplanned and have a potential impact on the budget and GiA funding provided. Unforeseen or unplanned events could include pollution events, regulated operator closure through liquidation, severe weather catastrophe or massive change in the economy where the appropriate regulator is the first line in managing the consequences. The research undertaken was not sufficiently in-depth to determine detail of the level and extent of contingencies or arrangements for managing liability. However, the research did identify contingent arrangements with some of the regulator agencies, including:

Use of a specific Fund (e.g. USEPA Superfund which has a mechanism for paying out for large scale clean up relating to pollution events, Irish EPA Fund which can be used to pay for major liabilities which would otherwise fall to the state);

Financial Provision arrangements (e.g. Environment Agency requirement that high risk PPC landfill operators provide a financial provision and mechanism for the cost of closure,

restoration and aftercare which is ring fenced should the operator be placed into administration);

Theoretically, if the contingent liability is large then the regulated agency would more than likely seek further funding from its sponsor as a default. However, it is possible that small or medium event scenario costs are absorbed in operational budgets. There are no details or statistics, from the research, that would suggest the likely extent or severity of this potential issue.

However, it is known that Environment Fund in Ireland has had to pay out (significantly) for contingent environmental liabilities on multiple occasions within 2011 to 2012 (e.g. Kerdiffstown Fire, Kerdiffstown Landfill Remediation, Haulbowline Island) where the EPA are the regulatory authority and have had significant unplanned expenditure. This has resulted in a review of the requirements for regulated operators to demonstrate sufficient financial provisions, as part of licensing, to cover the possible consequences of pollution events as well as closure, restoration and aftercare where the operator must actively manage the calculation of the estimated costs of the scenarios.

6.5. Environmental Value

The environmental regulatory agencies and governments have undertaken much initial work around valuation of the environment to support the quantitative calculation of the impacts of projects, policies and regulation. The purpose is to support the balanced and risk based approach to regulation, taxation and education in respect to protecting and enhancing the environment.

While in early stages, some examples of the activity in environmental economics on valuation of the environment include:

1. The Directorate General (DG) Environment of the European Commission (EC) undertakes Cost Benefit Analysis of new directives including the Water Framework Directive (WFD) (e.g. 'The Benefits of the Water Framework Programmes of Measures in England and Wales', September 2007, Defra) using Contingent Valuations (CV) related to WFD status conditions.
2. SNH – Economic Impact of Scotland Natural Environment (2008) and Valuing Nature Based Tourism (2010): These studies started the process of valuing Scotland's natural heritage.
3. Sweden – Economic Instruments in Environmental Policy and Strategic Objectives: Use Contingent Valuation and Environmental Valuation Reference Inventory (EVRI) to link all environmental taxation (and incentives/subsidy), funding, regulation and education with overall benefits to the economy through the use of GDP. The concept is that no policy is effective in isolation and that the larger more integrated picture is required to inform the strategy for new/modified mechanisms for management, mitigation and intervention including funding of environmental regulation. The Swedish EPA report that the overall total level of revenue from all schemes is roughly equivalent to the total level of expenditure and equates to 2% of Sweden's GDP.

The European Environment Agency has undertaken research and is developing the Environmental Valuation Reference Inventory (<https://www.evri.ca/Global/Home.aspx>) and EnValue Databases in association with other global agencies in creating global standards and tools for valuation processes to support the growing need to establish cost/environmental impact data on which to provide the foundations for defensible and sustainable decision making. At a more local level, Defra have recently created the Natural Capital Committee to establish importance and focus on environmental economics in supporting valuation of natural systems (<http://www.defra.gov.uk/naturalcapitalcommittee/about>).

The main benefits in the use of environmental valuation and economics identified (Reference: Making markets work for environmental policies – achieving cost-effective solutions, Danish Government 2003 and Practical Tools for Value Transfer in Denmark, 2007, Danish EPA) are:

Cost-benefit analysis – of investment projects with environmental impacts, natural resources preservation and restoration projects, and environmental policies (e.g. EU Water Framework Directive);

Environmental Accounting – at the national level to construct “green” Gross Domestic Product (i.e. GDP corrected for changes in natural resources and environmental quality);

Environmental Costing - in terms of marginal environmental and health damages of economic activities, which can be used as the basis for e.g. setting the optimal size of environmental charges; and

Natural Resource Damage Assessment (NRDA)/ Liability for environmental damages – i.e. compensation payments for natural resource injuries from accidental oil spills and other pollution incidents.

Although there is no direct correlation with the Grant in Aid funding providing there is some evidence to indicate that some charging schemes and some financial instruments have their foundations in the valuation of environmental economic impact.

The current government published the Natural Environment White Paper, *The Natural Choice: securing the value of nature*, on 7 June 2011. This heralded a long term intention to ensure that the value of nature as measured by natural capital and ecosystem services was properly recognised and enhanced in the management of all assets. Of most significance is the establishment of the Ecosystems Markets Task Force (EMTF) to identify and exploit business opportunities from ecosystem services, and the creation of a Natural Capital Committee whose remit is to design and report national annual natural capital accounts alongside Treasury monetary reporting.

The House of Commons Environment, Food and Rural Affairs Committee (EFRA) inquiry on the Natural Environment White Paper published its report on 17 July 2012. The conclusions and recommendations in the report included:

“We recognise that both economic and intrinsic values need to be taken into account in valuing the full benefits that nature brings to society. We welcome the White Paper’s ambitious aim of reflecting the value of natural capital in government policy-making and thus providing a more comprehensive set of data on which to conduct proper cost benefit analyses. We further endorse attempts to apply new tools such as ecosystems services valuations to policy evaluation. We welcome in particular the White Paper’s recognition that protection and enhancement of the natural environment delivers economic as well as environmental and social benefits” (para 14).

In order to respond to these new policy requirements, SEPA is considering how it can aid in realising the business and economic benefits available. These relate to two areas: Ecosystem Services and Natural Capital.

Valuation methodologies are likely to be imposed on significant government estates and will include the following drivers which SEPA may have to be prepared for.

- The European Union commitment to deliver economic growth with no net loss of natural capital (see <http://ec.europa.eu/environment/consultations/wgnnl.htm>) which is supported by the UK. Target implementation is from 2015.
- The UK National Ecosystem Assessment published last year (see <http://uknea.unep-wcmc.org/Resources/tabid/82/Default.aspx>) showed that 30% of habitats were in decline and that the value of the UK’s ecosystem services runs to many £billions. More active management of the UK’s supporting, regulating, provisioning and cultural ecosystem services was warranted.
- In January 2012 the first UK climate change risk assessment was published and will be reviewed over 5 year cycle (see <http://www.defra.gov.uk/environment/climate/government/risk-assessment/>). It is clear an integrated approach to ecosystem services, natural capital and climate change adaptation will be necessary and that SEPA may have to become involved in the process.

6.6. Planning

The research did not identify a clear link between funding and the required statutory obligations of many regulatory agencies, particularly environmental. Environmental regulatory agencies have an obligation to provide strategic planning support and consultation (e.g. development plans) as well as specific project based development related planning consultation and support.

Funding within the UK for planning applications is normally through the planning process where the developer (or applicant) pays a fee to the planning authority (local authority) for the planning application. The local authorities have an obligation to undertake statutory consultation (for certain types of development) with environmental regulatory agencies. The cost to the environmental regulatory agency of undertaking consultation is not recoverable from the local authority but instead needs to be funded from GiA. This GiA funding is not specifically 'ring fenced' for planning related consultations and support. The resource requirement and consultation requirement is likely to vary considerably between various types and sizes of planning applications.

In Scotland, the Audit Commission Scotland (Modernising the Planning System, Sept 2011) identified a mismatch between the planning fees and the planning costs and the requirements to link regulatory consultee processes into the determination of costs. This led to the recent Planning Fee Consultation Document (Consultation on Fees for Planning Applications, March 2012) which proposes to link the planning fees more to the basis of size and risk. However, currently the consultation document does not take account of the cost of statutory consultation.

6.7. Performance

The majority of regulatory agencies have a set of key performance indicators that are used to determine and measure their performance. However, the research undertaken did not identify any specific relationship between GiA funding and the performance requirements (including direct links and incentives).

Notwithstanding this, some Regulatory Agencies were able to relate the funding to benefits resulting from work undertaken (although in many cases the calculations of how the figures were derived were not evident). Examples included the Forestry Commission who claimed a £100m increase in biological assets and the Food Standards Agency who claimed £151m a year savings on UK economy resulting from prevention of infections from food. However, the level of funding from central government was not linked directly to these benefits.

6.8. Land Ownership

The research identified that some agencies owned and managed significant land related assets, in particular:

Australia NSW EPA: 7m ha of land (8% of NSW) including 112,000ha of national parks.

Forestry Commission Scotland: Woodland in Scotland is 1.33m ha (17.1% of total land area) of which 656,000ha (8.5% of total land area) is owned and operated by Forestry Commission Scotland.

Scottish Natural Heritage: 43,248ha (0.6% of Scotland) is owned, leased or managed by SNH.

Natural England: 19,556 ha (0.15% England) is owned and managed by Natural England.

Transport Scotland: £15.2bn Infrastructure asset valuation 2011. No published details of land holdings.

Much of the land ownership is protected and under stewardship of these agencies or relates to key infrastructure.

Appendix A References

The following documents and reports have been reviewed, considered or referenced in conjunction with the research undertaken within this report.

Publication Title	Date	Publisher
Modernising the Planning System	Sep-11	Audit Scotland
An Overview of Scotland's Criminal Justice System	Sep-11	Audit Scotland
Scottish Court Service Annual Report on the 2010/11 Audit	Oct-11	Audit Scotland
Practical Tools for Value Transfer in Denmark - Guidelines and an Example. Working Report No.28	2007	Danish EPA
Denmark EPA Annual Accounts	2011	Danish EPA
Making the markets work for environmental policies - achieving cost effective solutions	2003	Danish Government
Government Response to the Environment, Food and Rural Affairs Committee's report on the Environment Agency	Dec-07	Defra
ALSF 2008-2011 Evaluation Final Report	May-10	Defra
The Benefits of Water Framework Directive Programmes of Measures in England & Wales	Sep-07	Defra
Defra ERG117 Better Evidence for Regulatory Reform (Final Draft)	Aug-12	Defra
Defra Charging Scheme for Local Authorities - The Local Authority Permits Part B Installations and Mobile Plant (Fees and Charges)(England) Scheme 2012	Apr-12	Defra
Defra LA-IPPC Risk Method (April 2005, Revised June 2009)	Jun 09	Defra
Defra 2012/13 Charges – Local Air Pollution Prevention and Control (LAPPC) charges for 2012/13	2012	Defra
Pollution Prevention and Control Regime – Amendments to the District Council Charging Scheme 2011	2011	DoENI
Northern Ireland Environment Agency Draft Charging Policy 2010-13 Consultation Paper	Dec-09	DoENI
Pollution Prevention and Control (District Councils) Charging Scheme (Northern Ireland) 2011	Nov-11	DoENI
Entrust Annual Report 2010/2011	2011	Entrust
Environment Agency: Annual Report and Accounts 2010 - 2011	Jul-11	Environment Agency
Environment Agency: Corporate Plan 2011 - 15	2011	Environment Agency
Environment Agency: Corporate Scorecard	Sep-11	Environment Agency
Delivery of Flood and Coastal Erosion Risk Management Schemes and Activity: Funding Streams	2010	Environment Agency
A general Guide to the Climate Change Levy	May-12	Environment Agency
Environmental Permitting Charging Scheme and Guidance	July 2012	Environment Agency
Assessment of Environmental valuation Reference Inventory (EVRI) and the Expansion of Its Coverage to the EU	Mar-00	EU DG XI
The Costs of not implementing the environmental acquis Final Report ENV.G.1/FRA/2006/0073	Sep-11	EU DG XI
Sectoral Costs of Environmental Policy Final Report ENV.G.1/2006/68	Dec-07	EU DG XI
Financial Services Authority: Annual Report 2010/11	2011	Financial Services Authority
Financial Services Authority: Consultation Paper 09/26: Regulatory fees and levies: Policy proposals for 2010/11	Nov-09	Financial Services Authority
Researching Regulatory Funding Models	Apr-09	Financial Services Authority
Proposed changes to charging arrangements and charging rates for official meat controls	Apr-09	Food Standards Agency
Annual Report and Consolidated Accounts 2010/11	Mar-11	Food Standards Agency

FSA Citizens Forums: Earned Recognition TNS-BMRB JN225301	Sep-11	Food Standards Agency
Annual Report and Accounts 2010-2011	2011	Forestry Commission Scotland
Challenging Assumptions Changing Perceptions, Forest Regulatory Task Force	Oct-11	Forestry Commission Scotland
Health & safety Executive Annual Report and Accounts 2010/11 HC1066	Jun-11	Health & Safety Executive
Consolidated Report on findings from the Deloitte & Touche reviews of the impact of charging on COMAH. Offshore, Railways and Gas Transportation	Dec-02	Health & Safety Executive
Charging for activities undertaken for the biocidal products regulations: A Guide	Apr-03	Health & Safety Executive
Review of reasonableness of charge-out rates - final report	Jun-02	Health & Safety Executive
Health Protection Agency Annual Report and Accounts 2010/11	Jun-11	Health Protection Agency
2010 Annual Report and Accounts	2010	Ireland EPA
Guidance on Environmental Liability Risk Assessment, Residuals Management Plans and Financial Provision	2006	Ireland EPA
Guidance on Completion of Methodology for Determining Enforcement Category of Licenses	Jun-10	Ireland EPA
Environment Fund: Accounts 2010 and Comptroller and Auditor General Report	2011	Irish Government: Environment Community and Local Government
Consultation on Proposed Amendments to the Marine Licensing (Fees)(Scotland) Regulations 2011	Jan-12	Marine Scotland
Marine Scotland Strategic Plan 2010 - 2013	2010	Marine Scotland
Marine Scotland Annual Review 2011	2011	Marine Scotland
Marine Scotland Draft Budget 2012 - 15 MSF(57/2011)	2011	Marine Scotland
Natural England Annual Report and Accounts 2010 to 2011	Jul-11	Natural England
Natural England Corporate Plan 2012 - 2015	2011	Natural England
Statement of Intent (Years 2011 - 2014)	Sep-11	New Zealand Environmental Protection Authority
Environmental Risk Management Authority - Annual Report (30 June 2011)	Jun-11	New Zealand Environmental Protection Authority
The Use of Economic Instruments in Nordic Environmental Policy 2006 - 2009	2009	Nordic Council of Ministers
Measuring the Costs of Regulation	Jun-11	NSW Better Regulation Office
Guidelines for estimating savings under red tape reduction target	Feb-12	NSW Better Regulation Office
Risk-Based Compliance	Sep-08	NSW Better Regulation Office
Making it easy in NSW: Annual update on regulatory reform 2009 - 10	Oct-10	NSW Better Regulation Office
Department of Environment, Climate Change and Water, Accounts, June 2010	Jun-10	NSW DECCW
NSW Budget Highlights 2010 - 11	Jun-10	NSW DECCW
NSW Premier & Cabinet Annual Report 2010 - 2011	Nov-11	NSW DECCW
Regulatory Impact Statement- Proposed Environmentally Hazardous	Jun-08	NSW DECCW

Chemicals Regulation 2008		
NSW Environment Trust Act 1998 no82	1998	NSW DECCW
The Office of Communications Annual Report and Accounts 2010 to 2011	Jul-11	Ofcom
Funding Model Review – Executive Summary	Sep-09	Ofcom Phonepayplus
Economic and fiscal outlook Scottish tax forecasts	Mar-12	Office of Budget Responsibility
Environmental discretionary reward under RIIO-T1 price control	Feb-11	Ofgem
Electricity Distribution Price Control Review Final Proposals - Incentives and Obligations	Dec-09	Ofgem
Office of Gas and Electricity Markets (Ofgem) Annual Report and Accounts 2010 - 2011	Jun-11	Ofgem
Environmental and Eco-Innovation: Concepts, Evidence and Policies: Joint meetings of tax and Environmental Experts	Jan-10	Organisation for Economic Co-operation and Development (OECD)
Environmental taxation: A Guide for Policy Makers	Sep-11	Organisation for Economic Co-operation and Development (OECD)
OECD Green Growth Strategy taxation, Innovation and the Environment	2010	Organisation for Economic Co-operation and Development (OECD)
Scottish Courts Service Annual Report and Accounts 2009/2010	Aug-10	Scottish Courts Service
Consultation on Fees for Planning Applications	Mar-12	Scottish Government
Spending Review 2011 and Draft Budget 2012-13 (Level 4, Spreadsheet)	2012	Scottish Government
Independent Budget Review	Apr-10	Scottish Natural Heritage
Scottish Natural Heritage Annual Report & Accounts 2010-11	2011	Scottish Natural Heritage
The Economic Impact of Scotland's Natural Environment (Report 304)	2008	Scottish Natural Heritage
Assessing the economic impacts of nature based tourism in Scotland (Report 398)	2010	Scottish Natural Heritage
Valuing nature based tourism in Scotland	2010	Scottish Natural Heritage
Scottish water Annual Report and Accounts 2010/11	2011	Scottish Water
SEPA Annual Report and Accounts 2010 - 2011	2011	SEPA
Benchmarking Report: A review of SEPA and Environment Agency Charging Schemes for 2005/2006	2005	SEPA
SEPA Charging Schemes 2012 - 2013	2012	SEPA
Default monetary values for environmental change. Report 6362	2010	Swedish EPA
Sweden Environmental Objectives	2008	Swedish EPA
Welcome to the Swedish Environmental Protection Agency	Feb-09	Swedish EPA
Goals and Sectors: Issues in environmental policies. Report 5087		Swedish EPA
Economic Instruments in Environmental Policy. Report 5678	Feb-07	Swedish EPA and Swedish Energy Agency
Budget Allocation and Monitoring 2012-13	May-12	The Scottish Government
Transport Scotland Annual Accounts for the year end 31 March 2011	Oct-11	Transport Scotland
Tax and the environment: using economic instruments	Nov-02	UK HM Treasury
Advancing State Clean Energy Funds Options for Administration and Funding	May-08	USEPA
Aligning Utility Incentives with Investment in Energy Efficiency	Nov-07	USEPA

USEPA Budget in Brief 2012	Feb-11	USEPA
USEPA Performance Report FY2012	2012	USEPA
Step One: Getting Down to Business: EPA Annual Report 2010 - 2011	2011	Victoria EPA
The Voluntary Initiative Annual Report 2010 - 2011	2011	Voluntary Initiative

Appendix B Research Profiles

This section contains the data from the up to date research undertaken by SKM and has formatted some relevant FSA research report examples which have been included within the research. The profiles are also supplied in alphabetical order.

SKM Research 2012
Australia - NSW EPA
Australia - Victoria EPA
Denmark EPA
Environment Agency
Financial Services Authority
Food Standards Agency / MHS
Forestry Commission
Health & Safety Executive
Health Protection Agency
Ireland EPA
Marine Scotland
Natural England
Netherlands RVIM
New Zealand EPA
Ofcom
Ofgem
Scottish Courts
Scottish Natural Heritage
Scottish Water
SEPA
Sweden EPA
Transport Scotland
USA EPA
FSA Research 2009
Advertising Standards Authority
Care Quality Commission
Civil Aviation Authority
Higher Education Funding England
Office of Fair Trading
Office of Rail Regulator
Office of Water Services Regulator

The budgets are generally interpreted from annual accounts and are typically specified overall budget, operational costs or GIA + Revenue.

SKM Research 2012
Australia - NSW EPA
Australia - Victoria EPA
Denmark EPA
Environment Agency
Financial Services Authority
Food Standards Agency / MHS
Forestry Commission
Health & Safety Executive
Health Protection Agency
Ireland EPA
Marine Scotland
Natural England
Netherlands RVIM
New Zealand EPA
Ofcom
Ofgem
Scottish Courts
Scottish Natural Heritage
Scottish Water
SEPA
Sweden EPA
Transport Scotland
USA EPA
FSA Research 2009
Advertising Standards Authority
Care Quality Commission
Civil Aviation Authority
Higher Education Funding England
Office of Fair Trading
Office of Rail Regulator
Office of Water Services Regulator

Australia: New South Wales – Environment Protection Agency

The New South Wales Government in Australia has recently set up (Feb 2012) a separate entity for environmental protection. Responsibilities include climate change and energy efficiency, recycling and local environmental sustainability; urban water utilities and water management; estuaries, coastal lands and floodplains; environmental protection, regulation and compliance; managing fire, pests and weeds; park infrastructure; catchment management; zoological parks.

Budget	GiA Fund	Revenue	Staff	Location
£688m	£346.3m	£301.7m	622	Aus
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	5%	36%	0%	3.3%

Financial Overview

1	<p>Total budget is c£1,266m for Environment, Climate and Water parent division is divided by section as follows:</p> <ul style="list-style-type: none"> Environmental protection and regulation is c£74m Climate change and policy - £315m Parks and wildlife - £212 Culture & heritage – £9.3m Scientific services – £33m Urban water utilities – £172m Water management – £149m Environment Trust- £64m Botanic gardens - £27m Catchment management - £99m Other - £49m <p>DECC total costs are at £688m with related GiA at £346.3m and reported revenue of £301m. Licences accounts for £32.7 (5%), Levies at £246.4m (36%) and other at £22.6m (3.3%), as follows</p> <ul style="list-style-type: none"> -Pollution licences (£30.5m) -Radiation licences (£1m) -Other licences (£1.2m) -Waste related levies (£236.2m) -Coal Wash Levy (£10.2m) -Fines (£0.6m) -Other - £22m <p>Total = £301.7m</p> <p>(£1.7m or 5% of licences were uncollected during the year)</p> <p>The EPA is a relatively new organisation and it is anticipated that more precise details of financial budgets, revenue and grants will be available within the 2011/12 financial year.</p>
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Government Funding

2	Application	Appropriation is made on a recurring basis with flexibility of additional funding to complete any identified gaps required to balance accounts.
3	Flexibility/ Legislation	The EPA component is a relatively new set up. This places the Agency in a position that legislation is not necessarily required to make significant funding/charging changes. However, consultation would still be required.
4	Pressures	The state is implementing a significant and intensive programme of better regulation and value analysis/ performance on all regulatory requirements with the objective of driving efficiency, more targeted regulation and in demonstrating accountability.
5	Linked Objectives	The Agency objectives are not clearly linked to the GiA funding provided. However, there are significant governance drivers around implementing and demonstrating value through better regulation.

Non-Government Funding / Innovation

6	Innovative Solutions	<p>Bubble Licensing: This is a scheme where an operator can include one or more operations into a licence using the load-based fee calculation on an aggregated basis. An operator must apply for a change to the load based licence agreement which must be agreed by the EPA under certain limitations (e.g. where an applicant proposes to close or reduce the scale of the facility).</p> <p>NSW undertake reviews (Regulatory Impact Statements) of respective charging schemes under their red tape and better regulation initiatives where they must undertake an impact assessment on charges applied where the aim is to justify any cost recovery from the regulation. Schemes for</p>
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		making adjustments include phased charging schemes which are monitored to confirm the benefits without necessarily burdening businesses in the process (Cost recovery plans)
7	Research/ Studies	There are no specific studies that have been identified. However there is significant guidance on better regulation and performance which should be underpinned with reasonable research. These include NSW Guidelines for estimating savings under red tape reductions; Regulatory Impact Statements for Hazardous Materials, Measuring the Costs of Regulation; Risk Based Compliance; and Regulatory Reform (dated 2008 to 2011 and available from the web site)
8	Risk based charging	Permit charges are based on emission levels. Guidance is available for risk based compliance as a procedural based tool for calculating the risks associated with non-compliance. The regulatory reforms highlight the benefits of risk based charging schemes but there are no complete examples of how this may be implemented and managed. There are no Regulatory Impact Assessments on risk based charging identified.
9	Earned recognition/ Incentives	There is some discussion on this but not definitive information of evidence of implementation at this stage.
10	Use of Funds	The Environmental Trust (fund) provides grants to address priority environmental issues through collaborative projects with agencies. In 2010/11 this totalled £33m. Two further funds (Energy Savings Fund and Water Savings Fund are mentioned at \$72m and \$6.8m respectively for 2010). There is no available information at this stage to indicate how the Funds are resourced, although it is anticipated that the levies are utilised. The Funds are generally for specific grant funding for pre-determined activities and protected from annualisation. Any earnings from the Funds are re-circulated. The Funds are managed and administrated by the state and not necessarily the regulator.
11	Tax and Levies	Levies – Coal Wash Levy and Waste Levy (£246m in 2010). No available detail on how the levy is collected or administrated.
12	Recoverable Services	The accounts state sale of goods and services. However there is no confirmation if this includes specific regulatory skill sets. It is likely that the goods and services relates to publications, laboratories etc and not necessarily fee based income. However, the EPA does provide expertise and advice on planning issues and environmental planning instruments across NSW. Activities typically include local environment plans, state policies, development control plans, strategic studies, statutory applications and variations. These may be recoverable.
13	Crime and Fines	There are three Tiers of offences where Tier 1 is most significant and Tier 3 being lower level. Fines and penalties range from \$5m down to on the spot fines. The EPA has wider ranging powers to make orders for restoration and prevention, payment of costs and expenses and payment of any compensation. Further powers allow cases to be publicised. Any cash gained can be attributed to the project or a related trust fund. NSW has a number of mechanisms under the Protection of the Environment Operations Act 1997 POEO Act that include Clean Up Notice, Prevention Notice, Compliance Cost Notice, Information Notice and Penalty Notice where penalties are issued for non-compliance, corporations or individuals can be fined for the non-compliance and for each day until the issue is resolved, costs for clean up can also be recovered.
14	Annualisation	Appropriations are on a recurring yearly basis. The mechanisms for transferring surpluses from one to the next year are not recorded publicly. It is understood that the Funds are protected from annualisation impacts.
15	Other	NSW undertakes training and leadership on how to integrate sustainability and climate change requirements into the planning process. The NSW EPA have a statement in their mandate 'using regulations, the EPA may develop and implement schemes involving economic measures for environmental protection'. 111,617ha of National Parks was recently added to management responsibilities which brings total to 7 million ha (8.83% of NSW) NSW has a Better Regulatory Office that oversees all regulatory functions for all regulation for all government departments across NSW.
		11/08/12

Australia: Victoria: Environment Protection Agency

Victoria EPA is the environmental regulator for the state of Victoria, Australia. Its remit covers air, climate change, compliance/enforcement, environmental auditing, land, litter/illegal dumping, noise, sustainability, waste and water.

Budget	GiA Fund	Revenue	Staff	Location
£131m	£24m	£105m	363	Aus
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	80%	0%	0%	1%

Financial Overview

1 The total budget is £131m which is funded from GiA (£24m 18%) and Charging Schemes (£105m 80%) and Other (£2m 1%). Accounts show an operational surplus.

Government Funding

2	Application	The application and recurrence or approval processes are not detailed in the data reviewed/available.
3	Flexibility/ Legislation	Victoria EPA is a relatively new agency and is therefore not restricted from legacy and hence its remit tends to have more flexibility incorporated. Innovation can be applied through consultation rather than necessarily having to apply new legislation. The Environment Protection Fund governance is managed through the Environmental Protection (Distribution of Landfill Levy) Regulations 2010
4	Pressures	Five year accounts from 2007 to 2011 show a decrease in government funding from \$40m to \$36m with a corresponding increase in income from \$108m to \$196m.
5	Linked Objectives	The finance and accounts reporting show a clear link between revenue, spend and regulatory objectives.

Non-Government Funding / Innovation

6	Innovative Solutions	The use of Environment Funds and application to regulatory related duties allows the EPA to target early intervention and support to high risk activities. At this stage the use and application of the resource and its performance have not been assessed. Any organisation that holds two or more licences can combine these into a Corporate Licence. It is understood that this creates management efficiencies. There are no readily available details to confirm the success or performance of this scheme.
7	Research/ Studies	There is no indication of research on innovation and best practice on better regulation and charging/funding schemes from publically available sources.
8	Risk based charging	Charging Schemes are annual and based on the quality and level of industrial discharge and type of operator. The environmental levies are charged against the highest risk sector based operators, so it could be argued that wider based charging is risk based.
9	Earned recognition/ Incentives	The use of an earned recognition or incentive based scheme has not been identified.
10	Use of Funds	The Environmental Protection Fund. Income from the following schemes are used to populate the fund: <ul style="list-style-type: none"> ■ Landfill Levy (accrued, £76m) ■ Licence Levy (£0.3m) ■ Prescribed Industrial Waste Levy (£24m) ■ Interest from financial assets (£3.3m) ■ Litter fines (£1.5m) ■ Misc (£0.1m) Money from this accumulated fund is allocated to: <ul style="list-style-type: none"> ■ Sustainability Victoria ■ EPA Victoria (£3.9m): compliance/enforcement/ licensing (91%); Strategy and regulation development (4%); and Waste reduction and sustainability (5%) ■ Waste Management Groups ■ EPA Sustainability Fund Account (£26m): Distributed in accordance with Minister for Environment and Climate Change and Sustainability Fund Treasurer Balance of the Fund is used to support the Hazardous Waste Fund (ie from EPF) and this has a balance of £26m).

11	Tax and Levies	<p>There are two levies that are applied from EPA: the Prescribed Industrial Waste Levy (£24m) and the Landfill Levy (£76m).</p> <p>Revenue generated from the Landfill Levy (£76m) is used to support programmes and initiatives for kerbside collection, promotion of recycling materials, waste research and community support projects. Landfill Levies are applied at c£39/t (except for rural areas where the rates are reduced). Revenue generated from the Prescribed Industrial Waste Levy (£24m) is used as a financial incentive to industry to accelerate waste avoidance, re-use and recycling (EPA Act 2006). Rates are applied at category B = £167/t and category C £47/t.</p>
12	Recoverable Services	<p>There is no indication that Victoria EPA gain revenues from fee based direct charges. It is possible that some recovery is obtained from shared accommodations and the charges for laboratory services.</p>
13	Crime and Fines	<p>Prosecutions resulted in £1.7m in compensation, compliance works fines being levied. Fines ranged up to £130k, compensation values up to \$28.5m. However monies from fines (except litter and waste) etc do not go into the EPA fund. It is not clear whether all related costs are recoverable.</p>
14	Annualisation	<p>Reference is made to annualisation protection through the use of the Environment Protection Fund. However, it is not known if the Funds can be used to manage operational surplus or budget under-spend.</p>
15	Other	<p>There is no indication of the use of trading related schemes, but there is some mention of carbon trading schemes within publically available literature.</p>
		11/08/12

Denmark Environment Protection Agency (EPA)

The Danish Environment Protection Agency has a purpose to protect and enhance the environment. It is part of the Danish Ministry of the Environment. It is responsible for preparing legislation and guidance and leads on major national tasks.

The Danish EPA has responsibilities for some monitoring and permitting (including off-shore installations, chemicals and some waste related activities) but the municipalities cover some other activities.

Budget	GiA Fund	Revenue	Staff	Location
£31.7m	£28.9m	£2.8m	450	Euro
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	9%	0%	0%	0%

Financial Overview

1	Total budget is £31.7m of which £28.9m is understood to be provided from government funds and £2.8m is gained from regulatory charging and income streams. It is likely that the majority of this revenue is based on industrial based charging schemes.
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Government Funding

2	Application	The application and recurrence or approval processes are not detailed in the data reviewed/available.
3	Flexibility/ Legislation	There is no direct available data on the remit or flexibility within the Danish EPA for modifications of grant based funding. However, there is some evidence that that the Danish Government and EPA do have a significant relationship in using a range of financial instruments in supporting Environmental Policies (Ref Use of Economic Instruments in Nordic Economic Policy below) There is anecdotal data to indicate possible use or research of incentive based schemes, but no clear available published data.
4	Pressures	The 2011 Danish EPA accounts show a sharp trend increase in charging income while Grant in Aid funding remains broadly static thus resulting on an overall trend increase in funding.
5	Linked Objectives	Not identified within the research undertaken.

Non-Government Funding / Innovation

6	Innovative Solutions	<p>The Danish EPA are in the process of undertaking substantial research into Contingent Valuation of the Environment in order to support cost impacts to the environment from environmental activities or policies (e.g Water Framework Directive). The Contingent Valuations are used to inform the application, value and nature of tax and other financial incentives and how these can work together to achieve objectives.</p> <p>The taxes, levies and financial instruments are administered by Danish central government (ie not EPA) and are in many ways similar to those that exist within Scotland and the UK. However, the data indicates that the financial instruments are used in a much more integrated manner. For completeness, the financial instruments are:</p> <ul style="list-style-type: none"> ■ Energy tax on fossil fuels (subsidies on renewables); ■ Carbon dioxide tax (tax varies as per Energy Tax on energy content of fuel); ■ Co2 emissions trading scheme; ■ Excise duty on transportational fuels; ■ Excise duty on electricity consumption; ■ Sulphur tax on fossil fuels; ■ Green tax on water, tax on wastewater; ■ Waste tax for disposal and incineration (£34/t and £30/t 2010); ■ Deposit/refund scheme on beverage containers; ■ End of Life vehicles and Tyres (£160 direct charge); ■ Battery tax; ■ Packaging tax (based on volume, range from 1p to 20p); ■ Tax on PVC, phthalates and chlorinated solvents; ■ Car tax and excise duty based on efficiency; ■ Fertiliser and pesticide farming tax ; and ■ Tax levied on extraction of raw materials (£0.44m 2010).
7	Research/ Studies	Use of Economic Instruments in Nordic Economic Policy (2006 – 2009).
8	Risk based charging	Charging Schemes are annual and based on the industrial classifications, size and nature of the industrial facility and whether pollution activity has been identified. This dictates the number of

		inspection visits and the charged value. There is no indication that the specific impacts to the environment are incorporated into charging schemes.
9	Earned recognition/ Incentives	Not identified in the research undertaken.
10	Use of Funds	Not identified in the research undertaken.
11	Tax and levies	Denmark EPA do not have a direct link with tax or levies which are managed through government. However, they have an influence over the application and integration of financial instruments. Use of Economic Instruments in Nordic Economic Policy (2006 – 2009)
12	Recoverable Services	Not identified in the research undertaken.
13	Crime and Fines	Not identified in the research undertaken.
14	Annualisation	Not identified in the research undertaken.
15	Other	Industrial inspections are charged at a rate of £32/hr and the evidence indicates that the application of the rates could in some way be subsidised for some industry sectors (e.g. farming).
		11/08/12

Environment Agency (England & Wales)

The Environment Agency is a public body for protecting and improving the environment. The EA operate with four external themes: (1) act to reduce climate change and its consequences; (2) Protect and improve water, land and air; (3) Work with people and communities to create better places; and (4) Work with businesses and other organisations to use resources wisely.

Budget	GiA Fund	Revenue	Staff	Location
£1,216m	£800m	£416m	11,527	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	31%	0%	0%	3%

Financial Overview

1	<p>EA budget for 2010/11 was £1,216m of which £800m (66%) is funded as Grant in Aid, £379m (31%) from charging schemes and local flood defence levies (England) and £37m (3%) from misc activities. Of the GiA funding £744m was funded by Defra and £56m from the Welsh Government.</p> <p>Net Expenditure (£994m) was £573m (58%) on flood and coastal erosion, £253m (25%) on environmental protection, £112m (11%) on safeguarding availability of water resources and £56m (6%) on water management functions (mainly fisheries and navigation).</p> <p>EA revenue incomes (34% of total budget) comes from:</p> <ol style="list-style-type: none"> (1) Abstraction Charges (£131.6m) – Water Resources (2) Environmental Improvement charges (£3.5m) – Water Resources (3) Navigational Licences (£6.5m) – Navigation (4) Fishing Licences (£24.2m) – Fisheries (5) Environment Protection Charges (£176.7m): Environment Protection (6) Flood Risk Levies (£36.8m) – Flood & Coastal Erosion Risk Management (7) Grants (£4.7m) – All sections (8) Other Income (£19.2m) – All sections <p>Environment Protection Charges include Discharge Licences (£64.3m), Industrial Regulation (£39.1m), Radioactive Substances Regulation (£15.2m) and Waste Regulation (£58.1m) = £176.7m.</p> <p>The two main schemes are direct licence charges and fee time based charges. There is no accounting linked to planning applications or levies for carbon trading.</p> <p>Environmental Improvement Unit Charges to Water Utilities totalled £17.4m (a further £4.5m relates to non water utilities).</p>
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Government Funding

2	Application	Funding decisions are undertaken from HM Treasury from the spending review 2010 (SR10) covering 2011 to 2015. Funding from GiA is being cut for each of the key themed work areas (environment protection, fisheries, capital, flood defence etc).
3	Flexibility/ Legislation	The funding from Defra (and Welsh Government) appears to be linked to the themed areas and objectives. However, information on funding flexibilities (and/or links with other grant funding) is not clear beyond that of the SR10 and the requirements to reduce costs.
4	Pressures	The pressures have been to increase efficiency, reduce costs, support better regulation and reduce burden on business. However, there is no clear distinction between the reductions in GiA and these policies.
5	Linked Objectives	The EA highlight that special measures have been taken over the last two years in developing the right skills to relate budgets with environmental outcomes. The business plans for 2011 to 2015 have been produced to link budgets with strategic outcomes. (See Corporate Strategy).

Non-Government Funding / Innovation

6	Innovative Solutions	The Better Regulations schemes are driving charging policy to a more risk based set of systems and charges including earned recognition and corporate based agreements. These schemes are understood to be being trialled.
7	Research/ Studies	There is no specific reference for innovative funding and financial instruments for the EPA and funding. However, there are references in respect to better regulation and reform including the 'Better Evidence for Regulatory Reform' (Jul2012, Defra).
8	Risk based charging	EA operate charging schemes using OPRA, which classifies businesses by type, sensitivity and emissions and is reportedly updated on an annual basis. EA operate a financial provision requirement for higher risk waste management facilities. The operators are required to demonstrate that financial mechanisms are in place (e.g. bond) to support the financial provision requirements for closure, restoration and aftercare.
9	Earned	The EA have provided evidence to the UK government on application of earned recognition

	recognition/ Incentives	schemes for farming (Jun 2011) and in current research on Better Evidence for Regulatory Reform (Jul 2012). There is no specific reference on the current application of earned recognition schemes linked to charging.
10	Use of Funds	Not identified in the research undertaken
11	Tax & Levies	Levies are applied in respect to drainage schemes. Committees (Regional Flood and Coastal) can levy charges on local authorities to fund local priorities for flood prevention. Should there be a need for drainage related works then internal drainage boards will administer drainage levies. The only region currently applying the levy is Anglian where the charges are £192/ha to £280/ha depending on regional location.
12	Recoverable Services	Not identified in the research undertaken
13	Crime and Fines	Govt response to DEFRA report on EA 2007 (p8): Any prosecution costs and costs incurred in enforcement of illegal activities e.g. fly-tipping, and activities which should have been permitted but were not, are funded by Grant-in-Aid. The exception to this rule is the enforcement of Producer Responsibility (Packaging Waste) Regulations where an element of the charge was specifically approved by packaging waste businesses for enforcement of 'free-riders'.
14	Annualisation	Not identified in the research undertaken
15	Other	<p>Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a new carbon trading scheme for large organisations in the private and public sectors. A total of 2,800 organisations registered as full participants and a further 12,800 declared information. This scheme is undertaken in conjunction with DECC. There are no details identified on the charging, revenue and expenditure costs at this stage.</p> <p>Better Regulation schemes being tested include (1) annual compliance statement which will be signed off at company board level; and (2) third party compliance check against conditions by an approved third-party auditor.</p> <p>EA provides external funding to local authorities and other parties for capital grants for flood risk management, coastal protection, environmental improvements and cleaning up contaminated land. £70m was provided in 2010/11.</p> <p>Various partnership projects from EA were used to gain £8.1m for environmental improvements from the EU and Heritage Lottery Fund, matching EA funding was £25m with £7.3m costs. Other party funding raised a total of £86m for environmental projects.</p>
		11/08/12

Financial Services Authority

The FSA is to be split into two main units, The Prudential Regulatory Authority (PRA) which will become part of the Bank of England while the remainder will be termed the Financial Conduct Agency (FCU). Further, a new committee will be set up with the bank of England to support delivery of financial stability (the Financial Policy Committee). The FSA objectives range from dealing with large scale consumer mis-selling/ failures to financial stability and fraud.

The Financial Service Authority currently has 3,909 staff (increase in over 478 FTE staff compared to 2011) mainly located across England

Budget	GiA Fund	Revenue	Staff	Location
£450.8m	£0m	£462.2m	3,909	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
100%	0%	0%	0%	0%

Financial Overview

1	<p>£450.8m Net Costs for 2011/12 (with £1.4m identified additional out of scope costs), which is £7m below original budget. The net costs of ongoing regulatory activity (ORA) were £391.7m in 2009/10. The costs are funded entirely from fees which are recorded as £464.2m with additional revenue from the Money Advice Service (£1.4m) and from Fines. The surplus is supplied back to Treasury each year.</p> <p>The FSA have revolving borrowing facilities of £151m comprising Revolving Credit Facilities of £75m each and a £1m overdraft facility. The FSA have £100.1m in cash and cash equivalents at March 2011.</p>
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Government Funding

2	Application	There is no application for government funding, but it is understood that the Government and Treasury review the budgets set for the FSA.
3	Flexibility/ Legislation	The legislation and flexibility allows the FSA significant powers for manage their own finances, build contingency and apply fines and charges to meet their costs and operating requirements.
4	Pressures	There are pressures to demonstrate effectiveness and governance of the financial services sector hence the significant increases in both staff and overall revenue from charging. Charging schemes have been subject to significant research and consultation prior to implementation.
5	Linked Objectives	Government funding is not provided. However, the government is undertaking a review to determine objectives and funding, particularly in conjunction with links to other financial agencies/ institutions.

Non-Government Funding / Innovation

6	Innovative Solutions	The FSA have significant credit facilities, presumed to support requirements in meeting unforeseen regulatory duties.
7	Research/ Studies	FSA Researching Regulatory Funding Models (April 2009).
8	Risk based charging	There are basic systems to identify and stress test where the greatest and most significant risks are. These are often originated from core government policy/strategy requirements.
9	Earned recognition/ Incentives	The FSA operate a system of accreditation and approvals, a subscription based revenue generating scheme. However, the scheme does not necessarily provide incentive or reward beyond passing the initial fit and proper person hurdle.
10	Use of Funds	The FSA use financial mechanisms such as revolving credit and cash in the bank. There are no specific Funds noted.
11	Tax & Levies	None identified in the scope of the research undertaken.
12	Recoverable Services	The FSA can recover costs for providing mentoring or financially based services but usually related to investigation or criminal fraud actions.
13	Crime and Fines	Fines – Individuals or Corporations can be fined on the basis of their income or revenue and any financial benefit accrued from the fraudulent action and any costs associated with the actions (NOTE: any penalties and income is NOT used to fund activities of FSA).
14	Annualisation	FSA manages annualisation through balancing credit, surplus revenue and overdraft facilities. Funds can be accumulated as cash at the ban In rolling credit facilities.
15	Other	

11/08/12

Food Standards Agency (Scotland)

The Food Standards Agency (FSA) is the national authority responsible for food safety including work with farmers, retailers and caterers in respect to food produced and sold, imported food, consumer information and oversight to regulation. FSA works mainly with Local Authorities. It also represents the UK on food matters in Europe.

Budget	GiA Fund	Revenue	Staff	Location
£139.2m	£92.5m	£46.7m	1,943	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
31%	0%	0%	0%	2%

Financial Overview

1	<p>FSA budget is £139.2m with extrapolated GiA funding at £92.5m (66%) and Revenue of £46.7m. The revenue streams are:</p> <ul style="list-style-type: none"> ■ Milk and dairy hygiene – sampling and testing: £18k ■ Meat Hygiene inspections - £41.4m ■ Assessment/ consultation on radioactive substances - £1.9m ■ (Income from other government departments - £3.4m) <p>Scottish Government contributions to GiA are £10.3m /yr.</p>
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Government Funding

2	Application	FSA is funded through Treasury/Defra with contributions from the three devolved administrations. Application process is annual to Westminster.
3	Flexibility/ Legislation	It is unclear from the research undertaken what the existing powers or mechanisms are available for managing changes or evolution within the funding process. However, the FSA have stated it is their intention to have full cost recovery from charging based revenue schemes.
4	Pressures	Trend is c30% savings for next 3 years (£61.1m by 2014). The strategy documents consider Better Regulation, One In/One Out (OIOO), Red Tape and Gold Plating Initiatives. However, the strategy documents are not specific on what regulatory duties are undertaken and interaction with other government funded regulation such as that undertaken by front line works in other organisations such as Local authorities. However, the FSA merged with the Meat Hygiene Service in 2010 and does undertake direct inspections of meat processing facilities.
5	Linked Objectives	The FSA have attempted to link the funding to business economic benefits. For example, FSA UK claim to have saved the economy £151m/yr for last five years (although it does not say in what way). Overall the funding does not appear to be linked to objectives.

Non-Government Funding / Innovation

6	Innovative Solutions	The food hygiene rating scheme is perhaps a reasonable example of earned recognition and may be worthy of further research.
7	Research/ Studies	None noted, although there is a paper from 2009 which examines proposed changes to charging arrangements for charging rates for official meat controls. This assessment did not appear to be extended to cover other areas of FSA business.
8	Risk based charging	The FSA does use research on impacts (e.g. parasites in fish) to establish proposals for risk based proportionate industry guidance. There does not appear to be any link to actual regulation or funding.
9	Earned recognition/ Incentives	The FSA (in conjunction with local authorities) uses a food hygiene rating scheme for food based serving outlets. The Local authority undertakes an inspection and issues the certificate (the fees for this are paid to the local authority and not the FSA, except where the facility is a meat producer).
10	Use of Funds	There are no noted funds for the covering of major issues that may arise resulting from disease etc.
11	Tax & Levies	None identified from the research undertaken
12	Recoverable Services	The FSA recover some costs for monitoring based activities, but this is less than £18k.
13	Crime and Fines	Front line enforcement and criminal proceedings are taken by local authorities where FSA provide a supporting role. FSA also collates and audits data on local authority enforcement activities.
14	Annualisation	The research did not identify if there are any mechanisms for managing annualism.
15	Other	There are no levies, charges or other placed on any premises involved in food preparation, manufacture or outlets. However, the FSA have examined and implemented some alternatives to regulation such as the Food Hygiene Rating Scheme (there is no information to indicate whether

	<p>these schemes generate funding revenue for the schemes).</p> <p>There are no known trading schemes. However the FSA does have a particular bias and relationship to the meat and animal industries.</p> <p>FSA Scotland has indicated that its work has directly saved the UK Economy £151m per year for the past 5 years and is making inroads to tackling Campylobacter (food poisoning cause) which costs the economy an estimated £583m per year.</p>	
		11/08/12

Forestry Commission (Scotland)

Forestry Commission Scotland, formed in 2003, is the forestry directorate of the Scottish Government and advises and implements forest policies. Through Forest Enterprise Scotland, it also manages the public forest estate. The key strategy and outcomes are themed on (1) Improved health and well-being of people/ community; (2) competitive and innovative businesses for Scottish economical growth; (3) High quality, robust and adaptable environment.

Budget	GiA Fund	Revenue	Staff	Location
£105.5m	£77.7m	£27.8m	147	Scotland
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	0%	38.4%	2%

Financial Overview

1	<p>The recorded budget (annual accounts) is £68.9m, which is lower than the GiA funding £77.7m and total revenue generated (£27.7m). The FC indicated that they had achieved a saving from the previous budget of £6.2m (passed back to Scottish Government General Fund). The budget recorded in this sheet is £105m (GiA + Revenue).</p> <p>Revenue is obtained mainly from the wood sale (£26.5m) and Misc (£1.3m).</p> <p>FC supports grants to private woodland owners (£18.8m incl EU receipts) and Forest Enterprise Scotland (£39.4m) to support the management of the forest estate. A further £15.2m was allocated for forest development projects.</p> <p>The FC actively uses its land holdings for leisure pursuits (Forest Holidays, live music locations and other activities) that generate revenue. However, this revenue is not highlighted in the accounts. The FC grants felling licenses, but there are no specific details of this in the accounts.</p>
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Government Funding

2	Application	The funding is linked to DEL (Scottish Government budget process for departmental expenditure limit), the exact process and requirements have not been identified in the scope of the research undertaken.
3	Flexibility/ Legislation	The annual report indicates some flexibilities within the system, particularly around the speed and cost of programmes.
4	Pressures	There are general trends for the reduction in the GiA funding. However, the FC have shown a cost surplus and appear to be ahead of their cost efficiency reduction targets. It should be noted that much of the budget allocation relates to capital projects. There is a general trend to increase utilisation of land assets in respect to renewable energy.
5	Linked Objectives	Although the funding is not linked specifically to the themed segments and the KPIs set, the accounts have provided a basic analysis of spend. The current grant funding (total £77.7m) is related to an increased valuation of biological assets of £100m (valued as commercial timber rates). The accounts do not provide details of the calculation for the valuation change in biological assets and do not include ecosystem service within the valuation.

Non-Government Funding / Innovation

6	Innovative Solutions	The FC operate (49% share) an off balance sheet commercial operation in conjunction with camping and caravanning club for the operation of Forest Holidays. This includes the construction and holiday letting of log cabins in multiple locations within forest land within Scotland as well as the rest of the UK. The level of investment, impact to the environment and revenue returns are not highlighted within the FC (or C&CC) accounts.
7	Research/ Studies	Challenging assumptions, Changing perceptions – A Report by the Forestry Regulation Task Force, October 2011
8	Risk based charging	None identified within the research undertaken.
9	Earned recognition/ Incentives	There is no indication of active schemes, but the reports and indications are that the FC have consulted on the benefits of introducing an earned recognition scheme for forestry regulation.
10	Use of Funds	None identified within the research undertaken.
11	Tax & Levies	None identified within the research undertaken.
12	Recoverable Services	None identified within the research undertaken.
13	Crime and Fines	None identified within the research undertaken.
14	Annualisation	None identified within the research undertaken.
15	Other	The value of biological assets was given a notional income of £539m, increasing by £100m in

		2010/11. The biological assets are understood to be valued on the basis of commercial logging and timber rates.
		11/08/12

Health & Safety Executive

The Health and Safety Executive (HSE) is a non-departmental public body with Crown status, sponsored by the Department of Work and Pensions (DWP), responsible for regulating work-related health and safety in Britain (in partnership with local authorities) in accordance with the Health & Safety at Work Act 1974. The HSE operates the Health and Safety laboratory and the Office for Nuclear Regulation was established in April 201 as an internal agency

Budget	GiA Fund	Revenue	Staff	Location
£324m	£211.6m	£120.3m	3,461	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
17%	10.4%	4.3%	0%	6.4%

Financial Overview

1	<p>HSE gross operating cost is £324m (net is £201m). Grant in Aid funding from Department of Works and Pensions is net £211.6m, the remainder is presumed surplus. Operating income is recorded as £120.3m (including special programme costs of £33.9m) and includes:</p> <ul style="list-style-type: none"> Fees and charges: £102.6m (Licensing = £33.6m, services= £55m, pesticide levy = £14m) External Lab Customers: £7.8m Publication sales: £2.2m (the operating cost of which is higher than the income) EU Income: £0.7m Prosecutions: £6.9m Other: £3.2m <p>Note that £59.2m of the income is related to the nuclear sector.</p> <p>Charges are determined through the application of the charging guides (http://www.hse.gov.uk/charging/index.htm) applied to Biocides, COMAH, First Aid, gas Transportation, Nuclear, Offshore and Asbestos.</p> <p>Charge rates are £142/hr (for standard functions such as COMAH and gas transport), £138.13/hr (nuclear) and £256/hr (offshore installations, including transport cost). HSE provide staff for secondment to intergovernmental divisions</p>
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Government Funding

2	Application	DWP Request for Resources (RfR) is applied for on a yearly basis.
3	Flexibility/ Legislation	The HSE operate a large and diverse range of income and expenditure strands. The research did not extend sufficiently in-depth to establish if flexible mechanisms exist for incorporation or change of financial mechanisms.
4	Pressures	<p>The government has asked for efficiency savings in respect to their GiA input. In addition there are regulatory moves specifically to reduce the burden on business by adopting a more risk based regulatory approach and also a simplification of regulated requirements. In certain cases, guidance (more of a voluntary approach) has been taken as part of the new common sense approach to H&S.</p> <p>The future trend is to increase cost revenue on the higher risk installations and facilities, increase overall efficiency and to make the regulatory approach simpler and effective for small less risky businesses.</p>
5	Linked Objectives	The income and the cost for the various regulatory charging schemes are clearly highlighted. However, there are no noted references in the research undertaken of relationships between the level of funding, charging and key objectives.

Non-Government Funding / Innovation

6	Innovative Solutions	The HSE operate time based and service based charging schemes, levies, grant schemes, laboratory and direct stock sale (publications).
7	Research/ Studies	Consolidated Report on Charging Impacts 2002 and Review of Reasonableness of Charge Out rates 2002 have been used to support charging based schemes.
8	Risk based charging	No direct evidence identified in the scope of the research undertaken.
9	Earned recognition/ Incentives	No direct evidence identified in the scope of the research undertaken.
10	Use of Funds	Provisions in place for variations. There are no provisions identified for special cases. However, evidence indicates that where special cases are identified the fees tend to be recoverable (at least until the point that any prosecution reaches prosecution).
11	Tax & Levies	Pesticide Charging Guide highlights how the levy is applied based on the company turnover

12	Recoverable Services	Services are recoverable in respect to the inspections and visits undertaken.
13	Crime and Fines	The accounts indicate that fines are a revenue item to HSE (£6.9m). However, it should also be noted that the total (all HSE) legal costs are £7.7m. It is not clear whether the HSE can also recover proceeds related to criminal activity.
14	Annualisation	The accountancy notes indicate that the cash transferred from year to year is restricted. However, although mention is made of a Consolidated Fund within the accounts, no details were identified.
15	Other	
		11/08/12

Health Protection Agency (UK)

The Health protection Agency (HPA) employs 3,850 staff in four main centres in England, 35 sites and 35 labs including 1 in Scotland. The HPA was set up in 2003 specifically to protect the public from threats to their health from infectious disease and environmental hazards and responds to health hazards and emergencies caused by infectious diseases, chemicals, poisons and radiation. It also evaluates and ensures the safety and effectiveness of biological medicines and blood products. The HPA functions are due to be transferred to Health England in 2012.

Budget	GiA Fund	Revenue	Staff	Location
£323.7m	£151.4m	£146m	3,850	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0.1%	0%	0%	0%	45%

Financial Overview

1	<p>Gross Operating Costs decreased from £362.9m (2009/10) to £323.7m (2010/11) which is a 4.5% decrease. Grant in Aid Funding from Department of Health decreased from £174m to £151.4m from 2009/10 to 2010/11. Grant in Aid Funding represents 47% of total funding requirements. £2.1m funding was paid by devolved administrations.</p> <p>£146m (45% of the total gross operating costs) were funded from revenue based activities (commercial activities relating to sales of health products, services to third parties and winning research grants).</p> <ul style="list-style-type: none"> ■ Sale of Products and Royalties - £35m (mainly Dysport, treatment of cervical dystonia) ■ External use of laboratories - £71m ■ Research contracts and grants- £39m ■ Other - £0.4m
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Government Funding

2	Application	Government funding is based on funding against key objectives and special lump sum funds for special projects (e.g. bird flu £16.8m in 2009/10). Funding application is undertaken annually.
3	Flexibility/ Legislation	There is no clear evidence of funding being linked to objectives. However, the annual report 2010/11 does indicate what proportion of GiA and Revenue funding applies to each of the key work areas (Key infections, environmental hazards, emergency response, biological medicines and strategic aims).
4	Pressures	The HPA is being subsumed into a new organisation Health England, where the same functions and objectives will be maintained. Savings are required of about 6%, reflective in GiA funding.
5	Linked Objectives	The funding is linked to strategic objective areas. However, this brief review has not identified the reasons and how this relates to non GiA funding.

Non-Government Funding / Innovation

6	Innovative Solutions	<p>Funding of £35m (or 11% of the total budget) is provided by through the sale of Royalties in one single drug, Dysport. It is assumed that this is a legacy issue, but there are no reported details on conflict and/or removal of this commercial venture from the health regulator.</p> <p>HPA declared a VAT (and interest) refund of £3.7m (2009/10) agreed with Customs and Excise in respect to the partial exemption rules relating to the national Biological Standards Board for period 1992 to 1997.</p> <p>The HPA make considerable use of their laboratories for external commercial activity. Further, the level and extent of research is considerable when compared to other agencies. Whether this is considered as innovative use of resources or whether the regulatory agency is providing a commercial function would require more in-depth examination than the scope of this review allows.</p>
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	None identified in the scope of the research undertaken.
9	Earned recognition/ Incentives	None identified in the scope of the research undertaken.
10	Use of Funds	None identified in the scope of the research undertaken.
11	Tax & Levies	None identified in the scope of the research undertaken.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	None identified in the scope of the research undertaken.
14	Annualisation	Capital Funding GiA can be moved from one year to the next, although the rules for this are not

		determined.
15	Other	
		11/08/12

Netherlands: National Institute for Public Health and the Environment (RIVM)

The National Institute for Public Health and the Environment (RIVM) is an independent public funded organisation that incorporates Centre for Infectious Diseases, public health, nutrition, medicines, environmental safety, management strategy and international affairs. The RIVM provides services, research and tasks to various government ministries. Key tasks typically include policy support, national co-ordination, prevention and intervention, provision of information, knowledge development, support to directorates and crisis management/response.

RIVM operates out of 30 centres and has a number of laboratories and specialist areas of research.

Budget	GiA Fund	Revenue	Staff	Location
£458.6m	£454.4m	£207.6m	1,349	Euro
Service Charge	Permit Charges	Tax/Levy	Trading	Other
45%	0%	0%	0%	0%

Financial Overview

1	The budget figures indicate that the budget is £458.6m and that GiA funding comes from 6 central government agencies (total £454.4m) with the listed sponsor being the Ministry of Health, Welfare and Sport (contributing £165.8m). The accounts also indicate that £207.6m was received from third parties other than government. The breakdown and any cross over between revenue and charging/ grant has not been identified from the data reviewed.
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Government Funding

2	Application	See above, base and operating funding is provided by the sponsor and agency then charges the other agencies for services, resource and research undertaken.
3	Flexibility/ Legislation	None identified in the scope of the research undertaken
4	Pressures	The resource and expenditure is closely linked to the requests and requirements from the central government departments. The agency appears to act as a service centre.
5	Linked Objectives	None identified in the scope of the research undertaken

Non-Government Funding / Innovation

6	Innovative Solutions	None identified in the scope of the research undertaken.
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	None identified in the scope of the research undertaken.
9	Earned recognition/ Incentives	None identified in the scope of the research undertaken.
10	Use of Funds	None identified in the scope of the research undertaken.
11	Tax & Levies	None identified in the scope of the research undertaken.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	None identified in the scope of the research undertaken.
14	Annualisation	None identified in the scope of the research undertaken.
15	Other	The EPA manage and operate the carbon emissions trading scheme.

11/08/12

Ireland EPA

The Irish Environment Protection Agency is a public body with a remit to protect and improve the natural environment for present and future generations with specific responsibilities for licensing (waste, large industrial facilities, agriculture, petrol storage, water discharge, dumping at sea); national enforcement; monitoring and reporting; greenhouse gas emissions, research and development; strategic environmental assessment; planning education and guidance; and resource management.

The EPA is split into four directorates (Offices), (1) Climate, Licensing and Resource; (2) Environmental Enforcement; (3) Environmental Assessment; (4) Communications and Corporate.

Budget	GiA Fund	Revenue	Staff	Location
£49.6m	£34.8m	£14.8m	340	Euro
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	16%	2%	0%	12%

Financial Overview

1	<p>Irish EPA budget is £49.6 m of which 70% is provided by GiA funding (£34.8m) and 18% from charging schemes or levies (£8.65m) and the remaining 12% from deferrals from pensions and other.</p> <p>EPA revenue includes:</p> <ol style="list-style-type: none"> 1. Emissions trade recoverable costs - £0.9m (Levy) 2. Income from regional labs - £1.2m (Other) 3. Licensing activities - £1.7m (Permit) 4. Enforcement activities - £6.1m (Permit) <p>Ireland EPA spends £10.8m on environmental research (Strive and Climate Change Research) each year.</p>
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Government Funding

2	Application	The Grant in Aid is undertaken on a yearly basis through the Irish Government general environmental committee under discussion and negotiation.
3	Flexibility/ Legislation	The EPA are generally restricted in their remit for modifying or evolving charging and funding strategies. The Plastic bag and landfill levy are managed through the Department of the Environment, Community and Local Government (DECLG).
4	Pressures	The EPA is currently undergoing significant change in respect to decrease in GiA budgets. There is a significant push on better regulation, improved IT infrastructure and dealing with contingency liabilities resulting from unplanned closure events for licensed facilities (industrial and landfill). Recent projects have been undertaken to determine the best course of actions in changing the regulatory approach. These focus on managing contingent risks to the state while still achieving a balanced fee charging approach and provision requests which do not place more businesses into stressed conditions resulting in unplanned closure scenarios.
5	Linked Objectives	The EPA sets out robust objectives, however, this brief review cannot comment on how the GiA funding links to the objectives that have been set and how special projects/initiatives are dealt with.

Non-Government Funding / Innovation

6	Innovative Solutions	<p>The EPA makes use of the revenues from levies on plastic bags and on waste to landfill to support regulatory activities (see 11).</p> <p>The EPA are also actively examining risk and financial mechanisms to manage uncertainty relating to pollution events and closure, restoration and aftercare liabilities for industrial and landfill operators in respect to charging and managing financial provisions for environmental liabilities. The state has recently been impacted significantly by the recessionary issues where licensed operators have gone out of business and left the state with significant environmental liability (which has been left to EPA to manage).</p>
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	The charging scheme is based on a similar scheme to the EA and SEPA (ie using ORA similar to OPRA) where the operators are charged on the basis of emissions, type/size of industry and environmental sensitivity. This approach is under review to incorporate possible charging on the operators likelihood to impact the environment via the Environmental Liability and Risk Assessment (ELRA) and Closure Restoration and Aftercare Management (CRAMP) financial provision requirements. It is understood that work is still in progress on the practicalities and impacts.
9	Earned recognition/ Incentives	There are no noted schemes for Earned Recognition or Incentives.

10	Use of Funds	Reference Environment Fund (Accounts and Comptroller and Auditor General Report 2010). The Fund is then used by the state for activities relating to the Protection of the Environment, including to support the EPA environmental protection initiatives and the environmental research programme. The Environmental Fund was €55.7m (2009) increasing to €60.4m. Landfill levy was €42.6m and Plastic bag levy was €17.5m. Collection costs were €400k. Funds direct to EPA were €10.5m and indirect plus other schemes were used to fund waste management and litter schemes.
11	Tax & Levies	Waste Management (Environmental Levy)(Plastic Bag) Regulations 2001 and the Waste Management (Landfill Levy) Regulations 2002. Proceeds are collected by the Revenue Commissioners (and for landfill tax via the local authority who are allowed to deduct 2% to cover the expense). The revenue is allocated to the Environment Fund as per the Waste Management (Environment Fund)(Prescribed Payments) Regulations 2003. Plastic bag levy is 22% on the sale of plastic bags and the landfill levy is at €50 per tonne (2011).
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	None identified in the scope of the research undertaken.
14	Annualisation	EPA is subject to annualisation and has restricted mechanisms for the transfer of funding between financial years.
15	Other	EPA administrates and manages the national emissions trading scheme. EPA has a directorate managing Environmental Assessment relating to development and the planning landscape. The unit provides guidance, education, services relating to development plans in conjunction with local authorities.
		11/08/12

Marine Scotland (MS)

Marine Scotland was established on 1 April 2009. The Annual Review in 2011 identified key strategic priorities:

1. Ensure evidence based to inform marine policy, planning and service
2. Achieve good environmental status through planning, licensing and other functions
3. Promote marine renewables
4. Promote sustainable and profitable fisheries
5. Ensure effective compliance and enforcement arrangements
6. Internal integration and efficiency.

Budget	GiA Fund	Revenue	Staff	Location
£79m	£59.2m	£15.1m	299	Scotland
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	12.8%	0%	0%	6.3%

Financial Overview

1	<p>Marine Scotland first planned budget 2010 – 2013 indicates a gross budget of £79m (2011) which includes c£11m for specific industry support measures and a further £6m for a new Aquaria in Aberdeen. The budget figures do not directly correlate with the Scottish Government Budget figures for the same period.</p> <p>Planned retained income for the same period is £10.1m which equates to c13% of total budget. Other income is noted at £5m but not specified in detail.</p> <p>There are no details on specific revenue streams from the documents reviewed, but the following is assumed:</p> <ol style="list-style-type: none"> 1. There is a fee for licences relating to fisheries (the sum of which is not identified by this brief review within the reports) 2. There is a fee relating to services for off-shore renewables, but the relationship with DECC is not apparent and no highlighting of provisions for decommissioning and related funding 3. There is likely to be a revenue relating to the marine and freshwater laboratories. However general observations for other authorities indicate that the revenue is usually less than the general operational costs. <p>There are no details of the interaction between the foreshore, renewables licensing, oil/gas, pipeline laying, ports/harbours, dredging, tourism and related organisations Ofgem, DECC, Ports etc.</p>
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Government Funding

2	Application	No details of the process were identified in the scope of the research undertaken.
3	Flexibility/ Legislation	No details of the process were identified in the scope of the research undertaken, but the interaction of EU and related funding, particularly inherited from previous departments will allow MS to have some initial flexibilities. There is no mechanism for incentives, but there is funding for special projects including offices and labs.
4	Pressures	MS Draft Budget 2012-15: Year on year reduction of 3% for 2012-13, 1% in 2013-14, increase by 6% in 2014-15 so by 2014-15 will be on par with 2011-12 levels, in cash terms.
5	Linked Objectives	The budget analysis is split into the themed work areas. The research has not established whether GiA reflects like for like the similar proportionate breakdown and whether this is linked to key objectives.

Non-Government Funding / Innovation

6	Innovative Solutions	None identified in the scope of the research undertaken although there is some evidence that MS are currently exploring funding revenue streams.
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	MS are looking to streamline their licensing and consent arrangements. Marine Licensing (Fees) (Scotland) Amendment Regs - 2012 consultation on increasing fees for offshore renewable energy projects (fees are dependent on cost to the developer of carrying out the activity). Increases in the fees for applications for marine licences for offshore renewable energy projects - wave, wind and tidal, are required to bring them into alignment with the cost of staff and other resources required by the licensing process (compliance with the Habitat Regulation Assessment and Environmental Impact Assessment requirement has particularly taken up staff resources). Current income represents 66% of projected costs of processing applications so an increase of 33% is proposed. Dredging licenses are not subject to this change.
9	Earned recognition/ Incentives	None identified in the scope of the research undertaken.
10	Use of Funds	None identified in the scope of the research undertaken, although there may be a link to the DECC

		decommissioning fund requirements linked to off-shore installations
11	Tax & Levies	None identified in the scope of the research undertaken.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	None identified in the scope of the research undertaken.
14	Annualisation	None identified in the scope of the research undertaken.
15	Other	There appears to be some information indicating potential for recovery of fees relating to consultation services for off-shore renewables. However, this is also taken into account within the Planning fee Consultation.
		11/08/12

Natural England

The purpose of Natural England (NE) is defined as 'To ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations'. Strategic outcomes include creating a healthy environment, inspiring people into conservation, sustainable use of the natural environment and security of the natural environment for the future. The Joint Nature Conservation Committee (JNCC) is included within Natural England's Accounts. Natural England was formed in 2006 from the merger of the Countryside Agency and the Rural Development Service. NE currently employs 2,531 staff in 31 office locations (reduced by 137 and 32 respectively since 2010).

Budget	GiA Fund	Revenue	Staff	Location
£256.7m	£222.3m	£34.4m	2,531	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	0%	0%	13.4%

Financial Overview

1	<p>The gross budget is recorded as £256.7m which is funded by GiA funding of £222.3m (87%) from Defra with the remainder of the funding (Other) from other government agencies and public funding sources (£34m or 13.4%). There is no income from charging schemes, levies or trading agreements.</p> <p>The Programme and Grant Expenditure (excluding staff and overhead costs) are attributed to the EN core objectives as follows (£120m):</p> <ul style="list-style-type: none"> ■ Healthy Natural Environment (56.1%, £58.6m) ■ Enjoyment of Natural Environment (29.8%, £9.5m) ■ Sustainable use of the Natural Environment (8.4%, £72.6m) ■ Distinctive Public Body (4.9%, £22.1m) ■ Secure Environmental Future (0.8%, £10.5m) <p>It is not clear if the funding applications and GiA are specifically linked to the objectives set for each of the themed programme areas.</p> <p>The Other funding is granted from:</p> <ul style="list-style-type: none"> Catchment Sensitive Farming Grant (1.6%, £3.8m) – specific project related to farming; Aggregates Levy Sustainable Fund Grant (1.2%, £2.9m) – used for children's access projects; JNCC Grant (1.1%, £2.7m); Other external funding (3%, £7.3m) – Big Lottery Fund (£5m), National Lottery Grants (£1.6m), Single Farm Payments (£0.6m), conservation partners (£0.6m), income nature reserves (£0.8m), publications/advisory services/programme income (<£0.05m); Other income (5.1%, £12.3m) – Contributions/rents/recharges (£4.6m), additional Defra project contributions (£2.6m), RDPE technical assistance fund (£1.5m), Walking the way to Health Fund (£1.7m), JNCC (£0.3m) – all of these are essentially government funding/sponsorship of specific projects/programmes. <p>The additional income is variable as it relates to specific projects (ie non-recurring).</p>
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Government Funding

2	Application	The funding process is agreed on a four year agreement, last set in the Spending Review 2010 (SR2010) which incorporates requirements to achieve efficiency in overheads.
3	Flexibility/ Legislation	The funding provided is essentially from government or public sector bodies with no mechanisms of revenue recovery from charging or levies.
4	Pressures	The SR2010 provided a four year funding agreement that reduced NE GiA funding by about 33% or c£44.2m over this period. Of the £44.2m target change to 2014/15, the most significant change is in Enjoyment of the Natural Environment (Outcome 1) of £10m (ref Corporate Plan 2012 – 2015).
5	Linked Objectives	The funding is linked to the core objectives. However, the documents reviewed (primarily accounts) do not indicate performance related criteria.

Non-Government Funding / Innovation

6	Innovative Solutions	Natural England are empowered to accept gifts which are conducive or incidental to the discharge of its functions. This allows it to gain access to additional or specific funding for specific projects relating to its objectives.
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	None identified in the scope of the research undertaken.
9	Earned recognition/	None identified in the scope of the research undertaken. NE are the owner and defacto steward/regulator and advisor for natural environment. There may be a scheme linked to farming for

	Incentives	enhanced ecosystems which would allow farmers to benefit from grants in return for biodiversity targets.
10	Use of Funds	None identified in the scope of the research undertaken.
11	Tax & Levies	Levies (indirect) from aggregate tax used to support the meeting of some core programme objectives. It is not clear if the application related to a related drop in GiA funding or if the fund was additional. The levy does not represent a recurring income stream, but requires an application and needs to meet the requirements of the aggregate funding.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	None identified in the scope of the research undertaken.
14	Annualisation	None identified in the scope of the research undertaken. However, some of the projects and schemes are funded for greater than one year and funding must be transferred between from one to the next financial years.
15	Other	NE owns 19,556 hectares of land comprising all or part of the 147 National Nature Reserves (these are classified as heritage assets). The value of the land is given as £56.8m. NE gave £2.9m in funding to partners involved in conservation.
		11/08/12

New Zealand: Environmental Protection Authority (EPA)

The New Zealand Environmental Risk Management Authority (ERMA) was dis-established June 2011 and its functions incorporated into the new New Zealand EPA. ERMA primarily dealt with a range of activities including hazardous or dangerous chemicals/materials decision making and compliance, new organisms decision making and compliance, promoting awareness and policy/legislation. ERMA employed 90 staff FTE. The EPA is predicted to average 158 staff.

Budget	GiA Fund	Revenue	Staff	Location
£22.4m	£10m	£12.4m	158	New Zealand
Service Charge	Permit Charges	Tax/Levy	Trading	Other
55%	0%	0%	0%	0%

Financial Overview

1	The new EPA indicates that the expanded outputs including emissions trading will result in an expenditure of £22.4m (forecast to increase to £24.5m in 2014). The EPA estimate that £10m will be from the government (GiA) and £12.4m from other revenue (which is presumed to come from charges and fees).
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Government Funding

2	Application	The EPA is a new regulatory body but where annual budgets are to be agreed in advance with central government.
3	Flexibility/ Legislation	None identified in the scope of the research undertaken. However, the NZ EPA have indicated that it has an aim to operate a balanced budget which will allow the carrying over of surplus to support trading in future years.
4	Pressures	Trends show a reasonably stable spend and funding position, which in the last year resulted in a surplus to allow the best financial scenarios for the setting up of the EPA.
5	Linked Objectives	The budget is carefully set against the outputs.

Non-Government Funding / Innovation

6	Innovative Solutions	None identified in the scope of the research undertaken.
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	None identified in the scope of the research undertaken.
9	Earned recognition/ Incentives	None identified in the scope of the research undertaken.
10	Use of Funds	None identified in the scope of the research undertaken.
11	Tax & Levies	None identified in the scope of the research undertaken.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	None identified in the scope of the research undertaken.
14	Annualisation	EPA has indicated that it should be allowed to carry over surplus funds into following years. The mechanism for this is not clear.
15	Other	Emissions Trading Scheme (created under the climate change act and due to be administered by the EPA). The costs for this have been identified but the revenue streams are not clear and have not been identified within the accounts.

11/08/12

Ofcom

Ofcom (Office of Communications) is the communications regulator, regulating television, radio, fixed line communications, mobile communications and wireless devices. Ofcom is set up through the Communication Act 2003 and the Digital Economy Act 2010. The main legal duties are to ensure that:

- The UK has a wide range of electronic communications services, including high speed services such as broadband;
- A wide range of high-quality television and radio programmes are provided, appealing to a range of tastes and interests;
- Television and radio services are provided by a range or different organisations;
- People who watch television and listen to radio are protected from harmful and offensive material;
- People are protected from being treated unfairly in television and radio programmes; and
- The radio spectrum is used in the most effective way.

Budget	GiA Fund	Revenue	Staff	Location
£144.3m	£94.4m	£49.9m	832	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
33.4%	0%	0%	0%	1.2%

Financial Overview

1	<p>Operating budget was £144.3m and total operating income was £144.2m. The income was:</p> <p>Grant-in-Aid funding: £94.4m (GiA Fund)</p> <p>Network & Services administrative and application fees: £28.2m (Service)</p> <p>Broadcasting Act Licence and application fees: £20m (Service)</p> <p>Other Income: £1.7m (Other)</p> <p>Overall Surplus reported (accounts) was reported as £9.2m</p> <p>Ofcom has invoiced and collected £187.2m (stated) for the public purse from the Wireless Telegraphy Act licensees, additional payments from broadcasting licensees and the levying of fines and penalties on stakeholders. Funds are raised from:</p> <ul style="list-style-type: none"> ■ Television broadcast licence fees ■ Radio broadcast licence fees ■ Administrative charges for electronic networks and services and the provision of broadcasting and associated facilities; ■ Funding to cover Ofcom's operating costs for spectrum management in the form of grant in aid from the Department of Business, Innovation and Skills (BIS) ■ Funding to cover the costs of clearing spectrum as part of the 800MHz and 2.6GHz project from the BIS ■ Grant in aid funding to cover statutory functions and duties ■ Rental income from properties, interest on bank balances and incidental income <p>Ofcom manage about 50,000 (cat A, B and C) licenses each year.</p>
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Government Funding

2	Application	The funding is applied to Business Innovation & Skills against the multiple sector areas regulated. It is understood that the funding is three years with adjustments on a yearly basis. Savings have been requested from the BIS.
3	Flexibility/ Legislation	The regulator has wide ranging powers to licence, regulate and manage communications and deal with complaints. Any fines made are retained as revenue.
4	Pressures	Over four years to 2014/15 Ofcom will reduce its budget by 28.2% in real terms with the majority of the reductions in 2011/12 (22.5% or £17.2m from 2010/11 to 2011/12). Additional pressures exist in the intensive work to increase the digital communication network across the UK.
5	Linked Objectives	There is general core funding for operation and then funding specific to key objectives and to achieve specific objectives agreed within the management plan.

Non-Government Funding / Innovation

6	Innovative Solutions	Given the close relationship Ofcom must achieve to force the market along a defined path (in achieving government objectives) there is likely to be incentive based schemes within the charging system. However the research undertaken has not identified any of these mechanisms.
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	Charging is based on standard licence rates for certain activities.
9	Earned recognition/ Incentives	None identified in the scope of the research undertaken.

10	Use of Funds	None identified in the scope of the research undertaken.
11	Tax & Levies	The accounts indicate that levies are applied, but there is no further data on the mechanisms and nature of the application.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	Ofcom retain all revenue linked to fines.
14	Annualisation	The regulator has stated that the income is greater than the operating budget and it is assumed that the windfalls or surpluses are passed back to BIS and treasury.
15	Other	
		11/08/12

Ofgem

Ofgem is the Office of Gas and Electricity Markets regulating gas and electricity industries in Great Britain under the governance of the Gas and Electricity markets Authority. Activities are built around key themes including Low Carbon Economy, Security of Supply, Quality and Value to Customers and Delivery of Government Programmes.

Budget	GiA Fund	Revenue	Staff	Location
£58.7m	£0.7m	£58.1m	481	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
20%	52%	26%	0%	2%

Financial Overview

1 From £58.1m incomes there are £30.4m licence fees, £7.1m Transmission recharges, £15.5m scheme funding and £5.1m from advocacy agreements. Public funding was provided £0.7m for specific objectives linked to the climate change levy. Overheads were quoted as being 11.8% against national average of 14.1%.

Government Funding

2	Application	Budgets only require approval from Treasury
3	Flexibility/ Legislation	Legislation set up to allow flexibilities in charging, fines voluntary schemes and management of Funds.
4	Pressures	The overall trend is to provide 3% savings year by year. In 2011 a total of £20m underspend was transferred to HM Treasury.
5	Linked Objectives	Traditional overheads of 11.8% revenue are lower than national average of 14.1%.

Non-Government Funding / Innovation

6	Innovative Solutions	Ofgem have consulted on and are implementing the RIIO (Revenue = Incentives + Innovation + Output) charging based scheme which allows flexibility in providing incentives to support innovations in the sector. Ofgem elevate charges to provide feed revenue for the Funds which are then used to provide incentive funding for innovative energy related schemes. Ofgem have created sector based voluntary agreements (e.g. warm home discount) which supports and subsidises community based targeted projects.
7	Research/ Studies	RIIO based consultation documents (2012).
8	Risk based charging	Not incorporated, charging schemes are subject to price controls.
9	Earned recognition/ Incentives	It is understood but not confirmed that operators receive rebate for good performance and increased charges for poor performance. This is incorporated within the new RIIO system and is designed to create a level playing field.
10	Use of Funds	There are a number of Funds (Environmental Discretionary Reward Fund, Low Carbon Network Fund and Network Innovation Competition Fund (£38, £500m and £400m) due for implementation from 2012. The LCN fund is operating but has insufficient statistics to demonstrate levels of success. The funds are operated/ governed by Ofgem and are used to provide grants on the basis of match funding from applicants (operators and other parties) for projects that promote innovation. Funding is over-subscribed.
11	Tax and Levies	The charging schemes essentially acts as a levy on consumers.
12	Recoverable Services	Ofgem provide advocacy and other related services. However, there is insufficient information derived from this brief review to determine how this operates and how possible conflicts are avoided.
13	Crime and Fines	Ogem can apply fines up to a high level and recover the costs (£15m 2011). Further, they have the ability to reach settlement agreements whereby the revenue is used to pay compensation in the form of community based schemes (see recent EDF Fine)
14	Annualisation	There is a yearly requirement for fund approval and surplus revenues are provided to the Treasury (£20m 2011).
15	Other	

11/08/12

Scottish Courts Service SCS

The SCS delivers Access to Justice through the provision of people, buildings and technology to support court operations and the Office of the Public Guardian. SCS employs a total of 1,480 FTE staff.

Budget	GiA Fund	Revenue	Staff	Location
£101m	£74.3m	£25.7m	1,480	Scotland
Service Charge	Permit Charges	Tax/Levy	Trading	Other
23%	0%	0%	0%	3%

Financial Overview

1	<p>The total operating budget for SCS is £101m (which is a £5m decrease from the previous year). A further £10m capital budget is applied in addition specific to an ICT project at Parliament House.</p> <p>Grant in Aid funding of c75% or £74.3m is provided from the Scottish Government. Revenues include:</p> <ol style="list-style-type: none"> Rent from other government depts. (£2.7m, 2009/10) Memorandum Trading Account Fee Income (£23m, 2009/10)
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Government Funding

2	Application	Not clearly identified in the scope of the research undertaken, the process appears to be based on 'parliamentary funding' or 'Scottish Consolidated Fund' and not termed GiA.
3	Flexibility/ Legislation	None identified in the scope of the research undertaken.
4	Pressures	Government policy is to set fees so as to move towards full cost recovery (including judicial costs). However, a plan or strategy for achieving this has not been identified or reviewed. SCS has been asked to identify and achieve corporate savings of 5% year on year savings. Further, changes are anticipated building on the Scottish Civil Courts Review
5	Linked Objectives	Performance frameworks are based on previous year's work and are divided into two areas; national targets (timeframes for court cases) and Court performance (primarily waiting periods).

Non-Government Funding / Innovation

6	Innovative Solutions	SCS is responsible for imposing and collecting fines and is responsible for compensation orders. It is not clear from the annual report and accounts whether this is used directly as revenue. Shared service agreements with Crown Office and Procurator Fiscal Service (COPFS) for managed estates etc.
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	None identified in the scope of the research undertaken.
9	Earned recognition/ Incentives	None identified in the scope of the research undertaken.
10	Use of Funds	None identified in the scope of the research undertaken.
11	Tax & Levies	None identified in the scope of the research undertaken.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	It is not clear whether the proceeds as well as the fines can be used.
14	Annualisation	Grant funding subject to annualisation.
15	Other	SCS Estate value (open Market) is given as £58m in 2009.

11/08/12

Scottish Natural Heritage

Scottish Natural Heritage (SNH), established in 1992, is a government agency formed to support and implement policy on the natural environment, principally around four themes. These are (1) promote care and improve natural heritage; (2) help people enjoy natural heritage; (3) enable greater understanding and awareness; and (4) promote sustainable use of the natural heritage now and for future generations. SNH employs 795 staff (an increase of 21 from 2009/10 to 201/11).

Budget	GiA Fund	Revenue	Staff	Location
£64.4m	£64m	£0.4m	795	Scotland
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	0%	0%	0.6%

Financial Overview

1	<p>Total SNH budget is £64.4m based on operational costs which is funded from GiA funding at £57.8m (90%) and a combination of public sector funding of c£6m or 10% (assumed difference).</p> <p>The GiA funding includes staff costs (£24.06m), depreciation (£3.08m), programme expenditure (£29.13m) and capex (£1.5m).</p> <p>Other grant funding is provided from JNCC (£1.5m), Scottish Rural Development Programme (c£2m), special projects such as Marine Scotland (£0.4m).</p> <p>Revenue based income (0.6%) is professional services (£165k), publications (£67k) and other (£167k).</p>
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Government Funding

2	Application	<p>GiA funding is set by the Scottish Government's Spending Review which establishes the budget for each sector of government over a three year period. The level of funding is reviewed in line with changing priorities. It can be changed during a funding period.</p> <p>Use of resources must be in accordance with the agreed corporate and annual business plan, SNH's framework document, and any relevant guidance issued by the Scottish Ministers, in particular the Scottish Public Finance Manual. Funds cannot be moved between areas (eg capex, staff etc) without permission from sponsor team.</p> <p>Forecast outturn and spend is submitted monthly and funding is drawn down monthly.</p> <p>It [SNH] will need to focus on the key priorities that help most to meet its statutory obligations and to deliver the Scottish Government's Purpose.</p> <p>The work that SNH has undertaken to review its programme delivery is set out in SNH's Corporate Plan 2012-1015, approved by Scottish Ministers on 28 March 2012. SNH's work is defined in terms of its support in the delivery of National Outcomes. Indicators of success are set out in SNH's Corporate Plan 2012-15.</p>
3	Flexibility/ Legislation	<p>Specified projects (e.g. Beaver Monitoring, £50k) for funding and objectives are agreed at the outset where the individual funding adds to a similar overall budget from that of the previous year. SNH is also used to fund third party organisations and research bodies (e.g. JNCC) if it within its objectives' remit. The flexibility to recover revenue is limited as most of the funding is related to projects to improve the environment.</p>
4	Pressures	<p>Independent Budget Review: Submission by SNH 2010: SNH has been delivering efficiency targets through Efficient Government Initiative and Efficient Government Programme.</p> <p>Funding increased over previous 5 years by 2.5%.</p>
5	Linked Objectives	<p>The annual report links the funding provided to the themed areas. However, it is not clear from this brief review how operating costs, research costs etc are apportioned between these themed areas. The themes and objectives are agreed with government against which the funding is provided. The research did not establish how progress is managed for one off projects that extend beyond one year. Grants are provided by SNH, but the accounts do not specifically highlight the cost of management and administration of these costs.</p>

Non-Government Funding / Innovation

6	Innovative Solutions	Co-location and sharing of support services with other Government bodies.
7	Research/ Studies	<p>Research has been undertaken in 2009 and more recently into natural capital assets. In 2009 a report produced for SNH indicated that the natural assets were valued at £17.2bn or 11% of GDP. A more recent SNH report indicated that Nature Based Tourism was worth £1.4bn and sustained 39,000 jobs.</p> <p>However, although the reports make an attempt to place some cost against tourism on the basis of Scotland's natural heritage there is no cost assessment of the variations resulting from SNH intervention in particular managed or programmed areas.</p> <p>The SNH accounts have not made an attempt to link funding and work to improvements in natural capital (tourism or otherwise).</p>

8	Risk based charging	No charging schemes are applied.
9	Earned recognition/ Incentives	None identified in the scope of the research undertaken.
10	Use of Funds	None identified in the scope of the research undertaken. However, it is possible that some of the larger and longer term projects have Fund mechanisms set up.
11	Tax & Levies	None identified in the scope of the research undertaken.
12	Recoverable Services	The accounts indicate that SNH recover some costs (£165k) for charging for services. However, there are no specific details of how this process is managed.
13	Crime and Fines	Not applicable
14	Annualisation	Funding is agreed for a five year basis with applications and variations made on an annual basis.
15	Other	<p>Planning is identified as a key themed area, but the costs and fees related to the activity are not apparent within this study.</p> <p>SNH provide grants in 7 programme areas with a one year commitment period and a total value of £7.4m (which attracted further funding to the value of £16.6m). A total of 199 specific one off grants were provided.</p> <p>SNH commissioned 250 research projects to the value of £5.2m in 15 themes.</p> <p>SNH arrange and manage 'Rural Development management Agreements' (950no) against a total cost of £5m.</p> <p>SNH owns or leases 43,248 ha with the management of National Nature Reserves (NNR). These assets are not recognised in the national accounts.</p>
		11/08/12

Scottish Water

Scottish Water is the water utility for Scotland responsible for the supply of clean water to 2.4m households and 124,000 business premises as well as the treatment of waste water. Scottish Water comprises three businesses: Scottish Water; Scottish Water Business Stream; and Scottish Water Horizons Ltd where the latter is managed independently (and provides non-regulatory services to customers). Scottish Water employs 3,542 (2011) staff a decrease of 160 from 2010.

Budget	GiA Fund	Revenue	Staff	Location
£744m	£0K	£1,049m	3,542	Scotland
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	0%	140%	0%

Financial Overview

1	<p>The budget used is assumed from the operating costs for Scottish Water at £744m. This operating cost budget is funded entirely from revenue from trading schemes with the public with an overall revenue of £1,049m (or 140% of operating cost – budget).</p> <p>The capital investments programme utilises the difference between revenue and budget along with borrowing from Scottish Government (Investments are £445m pa and accumulated loans to date are £3,172m). Borrowing limit per year is £106m.</p>
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Government Funding

2	Application	There is no GiA Funding provided, but rather, the investment and work programme and agreed borrowing limits are agreed with Scottish Ministers.
3	Flexibility/ Legislation	Scottish Water is limited to the requirements of the Water Industry (Scotland) Act 2002 and the Scottish Water Governance Directions 2009 which limits borrowings and where expenditure and investment are agreed. Scottish Water has commercial entities within the group of companies which are arms length from the regulated core business.
4	Pressures	Pressure and drivers are linked to costs to consumer. Currently, Scottish Water charges are benchmarked as one of the lowest of all utility organisations on average based on OFWAT figures.
5	Linked Objectives	As above, notwithstanding operational costs, there is an agreed plan of KPIs and Investment within the Water Utility agreed in advance with Scottish Government, the last round of agreements was Q&SIII & IV

Non-Government Funding / Innovation

6	Innovative Solutions	Revenue is obtained by two main means, collection of rates from households administered through community charge by Local Authorities and direct charges to businesses for water and waste water. Some of the revenues are streamed into research to create efficiencies.
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	None identified in the scope of the research undertaken.
9	Earned recognition/ Incentives	None identified in the scope of the research undertaken.
10	Use of Funds	Scottish Water use the rolling loan facilities provided by the Scottish Government. The facilities are mainly utilised for large scale infrastructure improvement programmes.
11	Tax & Levies	None identified in the scope of the research undertaken.
12	Recoverable Services	Scottish Water can charge for fee based services linked to the provision of water services.
13	Crime and Fines	None identified in the scope of the research undertaken.
14	Annualisation	No Government Funding
15	Other	

11/08/12

SEPA

The Scottish Environment Protection Agency (SEPA) is a public body with a remit to protect and improve the Scottish Environment.

Notwithstanding SEPA roles on regulation of business to protect harm to communities and the environment, SEPA have responsibilities in respect to flood risk and warning schemes, contribution to Climate Change Act and Zero Waste plan and controlling (with HSE) the risk of major accidents at industrial sites.

SEPA has 1,219 employees (March 2011) in 26 offices.

Budget	GiA Fund	Revenue	Staff	Location
£82.3m	£48.2m	£34.1m	1,219	Scotland
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	50.5%	0%	0.7%	0%

Financial Overview

1	<p>Total budget is £82.3m (operational costs are £64.7m).</p> <p>GiA Funding was provided for £48,2m (£44.8m for operating costs and £3.4m for fund capital). GiA funding was reduced for core activities by £4.3m in 2011/12. Funding increased by £4m to account for new duties in respect to flooding, hazards monitoring and misc small projects.</p> <p>Revenue income is from Permit Charges (£33.2m, 50.5%) and Trading Schemes (£0.6m, 0.7%)</p> <p>A total of £34.1m is stated as revenue from charging schemes (and a further £2m from other income).</p> <ul style="list-style-type: none"> (1) IPPC control penalty charges (£5.7m) - Permits (2) Waste Management Licences (£4.3m) - Permits (3) Special Waste (£1.4m) - Permits (4) Radioactive Substances Act (£2.3m) – Permit/ Services (5) COMAH (£0.2m) – Permits/ Services (6) Emissions Trading (£0.3m) - Trading (7) Water Environmental Services (£19.5m) – Permits/ Services (8) Carbon Reduction Commitment (£0.3m) - Trading <p>Other income is grant funded including £500k (River Restoration Grant Fund) and £517k from Defra for transfrontier shipment of waste activities.</p>
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Government Funding

2	Application	Carried out in conjunction with Scottish Government (SG) annually. Budgets agreed for three years and adjusted annually. Additional funding provided for special projects as required from SG.
3	Flexibility/ Legislation	Legislation required to accommodate changes to funding schemes, government minister approval required for any changes to charging schemes. No incentives or links with funding and performance were identified in the scope of the research undertaken.
4	Pressures	SEPA has indicated trends in growth of requirements resulting from increased requirements from the EU directives. Scottish Government have indicated further future funding year savings from GiA will be sought.
5	Linked Objectives	Direct link and relationship is not identified, however, the funding is linked to themes and also additional special projects.

Non-Government Funding / Innovation

6	Innovative Solutions	Current consultation documents in respect to growing remit to introduce risk based charging schemes.
7	Research/ Studies	None identified in the scope of the research undertaken.
8	Risk based charging	Being considered with Better Regulation Review. OPRA is a type of risk based charging.
9	Earned recognition/ Incentives	None identified in the scope of the research undertaken.
10	Use of Funds	Scotland's Water Environment Restoration Fund (£1.5m since 2008) for improvement of rivers, lochs, wetlands and coastal areas. This is a specific vehicle fund which is operated and managed by SEPA.
11	Tax & Levies	SEPA does not have any powers to raising revenue from tax or levies. The Scottish Government has limited powers for taxes and levies which is understood to include the landfill tax from 2013.
12	Recoverable	SEPA can only recover fees and services in relation to the work conducted and related to licensing

	Services	and permitting work.
13	Crime and Fines	Fines can be applied, but revenue is allocated to Scottish Government. Value of fines is considered minimal. SEPA does not gain any revenue from fine, costs relating to court or the proceeds from the crime. SEPA does have some powers to charge and recover the costs of clean-up.
14	Annualisation	There are significant restrictions for movement of balances from financial years.
15	Other	<p>The Environment Agency is the lead regulator in the Carbon Reduction Commitment Energy Efficiency Scheme (carbon emissions trading scheme). SEPA have an administration and support role in the scheme, although it is not clear on the payment of revenues obtained which will contribute to administration and management of the scheme in Scotland. The listed income is £276k for emission trading and £313k for carbon reduction commitment – Total £584k.</p> <p>SEPA carry out training of staff from other public funded organisations (ie Diffuse pollution) including Forestry Commission and SEARS, but there are no details of training charges.</p> <p>There is no mechanism of cost recovery for planning consultation and technical advice on development.</p>
		11/08/12

Sweden: Environment Protection Agency

The Swedish Environment Protection Agency have a remit to promote a good living environment for current and future generations and has sixteen national objectives ranging from climate change impacts, air, forests, agriculture, environmental assessment, monitoring, marine, waste and radiation to rivers and landscape. Its key tasks are to present proposals for environmental legislation to the government and to ensure that environmental policy decisions are implemented.

Budget	GiA Fund	Revenue	Staff	Location
£30.9m	£30m	£0.9m	530	Euro
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	2.5%	0%	0%	0%

Financial Overview

1	<p>The Swedish EPA is understood to have a budget of £30.9m of which £30m is provided by grant in aid funding and £0.9m is from charging based schemes. There are no available details of other revenue income.</p> <p>The publications indicate that total spend on environment aspects from all government departments is £5.4bn (reported to be 2% of GDP), of which £0.2bn is linked to implementation of environmental policy.</p> <p>The following is a list of EPA identified financial instruments linked to environmental improvement:</p> <p>Environmental taxes applied in Sweden</p> <ul style="list-style-type: none"> Pesticide Tax – £5.4m (41 registered tax payers, 2005) Petrol Tax - £2,400m (40 registered tax payers, 2005) Fuels - £1,769m (575 registered tax payers, 2005) Electric Power - £1,650m (709 registered taxpayers, 2005) Fertiliser - £29.8m (100 registered tax payers, 2005) Waste - £57.7m (234 registered tax payers, 2005 - £39.5/t to landfill) Natural Gravel - £18.1m (662 registered tax payers, 2005 - £1.18/t) <p>Other</p> <ul style="list-style-type: none"> Environmental penalty – Fine (Up to £90k, plus environmental damage) Water pollution charge – levied charge on ships Batteries charge – levied charge to fund information and waste management of old batteries Aviation tax Nuclear power output tax Road charges Congestion charge <p>Financial Incentives</p> <ul style="list-style-type: none"> Site remediation appropriation – £49m (2005) Radon grant Lake liming grant Fisheries conservation grant Forestry conservation grants Forestry tax incentives Nature conservation agreements Tax relief on light heating oil/ diesel Conservation Grants Local climate investment programme Energy efficient technologies Windpower grants/ bonuses Energy Improvement Grants Tax exemption for biofuels <p>Sweden is perhaps unique in that they have linked the range of charging schemes, taxes, charges and other revenue based schemes specifically to the objectives required. This includes how the respective schemes work together as well as the level of incentives and information required in providing an integrated system. Licensing and permitting is usually carried out at a local level.</p>
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Government Funding

2	Application	None identified in the scope of the research undertaken.
3	Flexibility/ Legislation	None identified in the scope of the research undertaken.

4	Pressures	None identified in the scope of the research undertaken. However there appears to be a greater linkage with overall environmental financial mechanisms and funding.
5	Linked Objectives	Budgets and funding are set against each of the 16 national objective areas. Further, a broad estimate is given of the financial benefits relating to the work. This in turn is linked to overall GDP and national benefits and linked trends to increase in GDP attributable to environmental spend.
Non-Government Funding / Innovation		
6	Innovative Solutions	The approach of the regulator is evolving to link the protection of the environment with the impact to the environment and the financial mechanisms available for changing behaviour. More research and communication will be required to establish more details behind the approach.
7	Research/ Studies	Economic Instruments in Environmental Policy (2007) and EPA Strategic Objectives (and Appendices) 2008 provide research and justification for environmental financial instruments, their use, interaction and benefits.
8	Risk based charging	None identified in the scope of the research undertaken. However, there is discussion within the incentives documentation of the benefits behind risk based charging.
9	Earned recognition/ Incentives	There is some evidence of recognition systems such as that linked to Forestry and the use of sustainable and managed forests. Details of the charging and cost recovery for this have not been identified in the scope of the research undertaken.
10	Use of Funds	The reports highlighted in 7 above also highlight a range of further schemes for grant and incentive based financing which require setting up and administration of specific Funds.
11	Tax & Levies	See 1 above. The Swedish EPA have influenced the way in which these financial incentives work together to bring about the best environmental benefits. It is not clear which, if any, of these schemes are directly managed by the EPA.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	Swedish EPA can fine up to £90k and recover the costs of damages to the environment and any pollution mitigation related works. Studies undertaken on the value and application demonstrate that the system is effective as a deterrent. There are no details as to how the cash is appropriated but it is inferred that it is used to support a Fund. No details were identified in the scope of the research undertaken on administration, cost recovery and whether criminal proceeds can be collected also.
14	Annualisation	None identified in the scope of the research undertaken.
15	Other	
		11/08/12

Transport Scotland

Transport Scotland (TS) was created in 2006 to provide support to Scottish Government for all of Scotland's transport responsibilities, including road, ferry, canal, rail and air. TS employs 469 staff (2010/11, increasing slightly from previous year).

Budget	GiA Fund	Revenue	Staff	Location
£1,889m	£1,889m	£0	469	Scotland
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	0%	0%	0%

Financial Overview

1	<p>100% Funded by GiA £1,889m (2011): Budget for 2011/12 is £1,830m.</p> <p>Most of the funding relates to large scale infrastructure projects such as Forth Road Crossing, Airdrie to Bathgate Rail Link and Funding Edinburgh Trams. Funding is related to themed areas (1) Improved Connections, (2) Better Journey Times, Better Reliability; (3) Greener Transport Alternatives; (4) Increased Safety, More Innovation; and (5) Striving Towards Excellence. The Greener Transport is linked to Climate Change (Scotland) Act 2009 to reduce emissions by 80% (from 1990 levels by 2050). Green Initiatives are grant funded from Transport Scotland (c £8.8m) for Freight Facilities Grant, Scottish Bus Fleet Grant, Canal Freight Transport Grant, Low carbon Vehicle Procurement Grant, Plug-in Places Scheme.</p>
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Government Funding

2	Application	Budget (Scotland) Act 2010 & Scottish Budget Spending Review process (SR2010) as an annual budget review where a 3 year process has to be completed.
3	Flexibility/ Legislation	Large infrastructure projects tend to have variable budgets allocated.
4	Pressures	Transport Scotland have recently merged with Transport Directorate taking on a wider range of responsibilities for aviation, maritime, freight and canals as well as transport policy to make savings. Trends are not identified against themed areas, but general trend is on spend in rail infrastructure improvement and in incentivising green transport.
5	Linked Objectives	Funding and objectives are not directly linked to overall objectives, quality or life objectives but basic objectives are expressed in themed areas and have a qualitative status on whether the objective has been achieved or not. Further, there is no direct link to GiA funding (and funding provided) to some of the specific quantified objectives (ie 90% reduction in emissions by 2050) – ie the carbon account for transport does not link the progress from 1990 for overall transport emissions, current status and trend, future status and trend and whether the funding has had the desired effect (or would have occurred irrespectively).

Non-Government Funding / Innovation

6	Innovative Solutions	There is no apparent link with revenues from the rail franchises, property asset utilisation, publications, road tax, road fines, parking fines, congestion charging, air fuel tax or any other schemes.
7	Research/ Studies	None identified in the scope of the research undertaken
8	Risk based charging	None identified in the scope of the research undertaken. TS is mainly a grant making body.
9	Earned recognition/ Incentives	TS is mainly a grant making body.
10	Use of Funds	None identified in the scope of the research undertaken. TS may have some maintenance fund that can be used (transferability is not clear in sources material referenced in the course of this research).
11	Tax & Levies	None identified in the scope of the research undertaken.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	None identified in the scope of the research undertaken.
14	Annualisation	Presumed that the budgets are allocated for special projects and for operating costs. Special projects will somehow have protection to allow for carry over from financial years to deal with long term projects.
15	Other	<p>Budget for dealing with planning related matters (incl external consultants), details not included in accounts.</p> <p>The asset value of Transport Scotland (which is primarily the trunk road network) is £6bn.</p> <p>Core admin costs for TS operation is £19m which the report identifies is 1% of the overall</p>

		expenditure of TS.	
			11/08/12

USEPA

United States Environment Protection Agency (USEPA) is responsible for environmental regulation with a mission to protect human health and the environment and covers seven key themed areas (1) air and radiation; (2) solid waste and emergency response; (3) Enforcement and Compliance Assurance; (4) Office of Water; (5) Office of chemical safety and pollution prevention; (6) Environmental Information; and (7) Congressional and Intergovernmental Relations.

Budget	GiA Fund	Revenue	Staff	Location
£5,556m	£5,556m	£0m	17,359	USA
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	0%	0%	0%

Financial Overview

1	<p>The total USEPA budget is recorded as £5,556m for 2012 down from £6,590m from 2011. The entire sum appears to be provided as grant in aid funding from the US federal government. Revenues from charging/fees and funds appear to be directed/re-directed to the various Funds to support the running/operation of environmental programmes. The Funds have appeared to have a current accumulated value of c£813m.</p> <p>The USEPA identify the following revenues in their budget statements for 2012. These are mainly for fees and charges and are funnelled into the Working Capital Fund where there are no year-end limitations.</p> <ul style="list-style-type: none"> ■ Pesticides (registration /maintenance fee charge) - \$37m ■ Pre-manufacturing notices - \$1.8m ■ Lead Accreditation scheme - \$7m ■ Motor vehicle and Engine Compliance Programme Fee - \$35.1m ■ Electronic Manifest user charges electrical generators etc - \$200m to \$400m ■ EPA Energy Star Certification Scheme – start 2013 <p>Advancing State Clean Energy Funds (2008) – uses different funding mechanisms by state, including (1) Utility cost recovery (where cash is recovered by utilities from ratepayers); (2) System Benefits Charges (where cost recovered from ratepayers as surcharge on consumption); (3) Taxes (obtained through local tax collections); and (4) Leveraging – funded from emissions of energy markets ie generation.</p> <p>It is anticipated that some of the water related work is funded in at least part from the water utilities and that there are regulatory charges for industry. However, there is no distinction within the accounts provided.</p>
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Government Funding

2	Application	The funding is applied for in a five year cycle on a federal basis.
3	Flexibility/ Legislation	There is no evidence of an incentive process, but the budgets do appear to be linked to key performance criteria. However, the funding is provided irrespective of the trend of the performance criteria.
4	Pressures	Current trends include a reduction in the budgets directed by the American President (reduction of \$1.3bn from FY2010 – highest recorded funding level).
5	Linked Objectives	There is no clear linking with overall or specific objectives and the level and nature of funding provided and spend made.

Non-Government Funding / Innovation

6	Innovative Solutions	The USEPA make much use of their powers in maintaining funds, which are typically used for managing programme schemes but without limitations on year-end and where interest can be used to enhance the fund.
7	Research/ Studies	None identified in the scope of the research undertaken
8	Risk based charging	Charging schemes and programmes appear to be charged by sector (or regionally) and not linked specifically to risk. However, social factors such as deprivation and tribal considerations are taken into account.
9	Earned recognition/ Incentives	The USEPA also have a scheme for Energy Star rating and certification, but this programme has not yet commenced (due 2013).
10	Use of Funds	<p>There are a number of Funds that have been set up which receive grant, revenue or enforcement related funding, which are then used to run specific programmes. American laws allow the funds to accumulate and carry between years as well as accumulate interest. Typically 20% of the fund has to be used on development and research (including funding staff numbers). Key identified funds are:</p> <p>Superfund programme (\$1,270m) – The USEPA have recovered \$1.6bn from Potentially Responsible parties PRPs. Up to FY2010 over \$3.7bn has been deposited (from 1,023 site specific accounts) into the Superfund and is earning interest (\$378m)</p>

		<p>Hazardous Substance Superfund (\$1,307m) – no further details in accounts</p> <p>Pesticide Registration Fund – no further details</p> <p>State Revolving Funds (SRF) – 5% of water infrastructure spending</p> <p>LUST Trust fund – leaking underground tanks (based on fuel tax) - \$113m</p>
11	Tax & Levies	The Leaking Underground storage tank fund (LUST) appears to be funded from a levy or tax in respect to the volume of fuel stored. However, no specific details were identified in the scope of the research undertaken.
12	Recoverable Services	None identified in the scope of the research undertaken.
13	Crime and Fines	USEPA now have 200 special agents within the Criminal Enforcement Programme to identify and investigate criminal activities. There is also a Superfund Enforcement Programme (relating to clean up of brownfield and polluted sites) which has recovered a further \$1.6bn from PRPs (see 13).
14	Annualisation	USEPA have significant flexibility in creating multiple accounts, collecting interest and accumulating funds.
15	Other	
		11/08/12

Advertising Standards Agency				
Communications: Independent self regulating body for non-broadcast advertisements in the UK.				
Budget	GiA Fund	Revenue	Staff	Location
£8.02m	£0m	£8.04m	NN	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	100%	0%	0%
Financial Overview				
1	Levy (0.1%) on display advertising and airtime on Royal Mail Mailsort contracts (0.2%) (Total = £8.04m)			
Comment				
2				
				11/08/12

Care Quality Commission				
Regulates, inspects and reviews all social care services in the public, private and voluntary sectors and gives star ratings to local authorities.				
Budget	GiA Fund	Revenue	Staff	Location
£161m	£100m	£63m	NN	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
39%	0%	100%	0%	0%
Financial Overview				
1	GiA Funding of £100m (61%) from Dept of Health. Revenue obtained from annual subscription (registration and yearly fees) based on the size of the organisation (range £1.7k to £2.2k) or applicant (0.5k to £0.6k).			
Comment				
2				
				11/08/12

Civil Aviation Authority				
Transport: independent specialist aviation regulator (economic regulation, airspace policy, safety regulation and consumer protection).				
Budget	GiA Fund	Revenue	Staff	Location
£117m	£0m	£117m	NN	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
39%	0%	85%	0%	15%
Financial Overview				
1	Budget is £117m and is completely self funded. Charges to industry >£100m based on levy on passenger and luggage distance flown.			
Comment				
2				
				11/08/12

Higher Education Funding England

Education: Distributes public funding for teaching and research to universities and colleges. Aims to promote high quality research and education.

Budget	GiA Fund	Revenue	Staff	Location
£7,397m	£7,323m	£74m	NN	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	0%	0%	1%

Financial Overview

1 Budget is £7.397m which is 99% funded by GiA. Revenue income of 1% is derived from European Social Fund, Subscriptions, misc activities such as conferences and publications.

Comment

2

11/08/12

Office of Fair Trading

Financial Services: OFTs is the UK consumer and competition authority with a mission to make markets work well for consumers.

Budget	GiA Fund	Revenue	Staff	Location
£74m	£66m	£9m	NN	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
12%	0%	0%	0%	0%

Financial Overview

1 Budget is £74m of which £8.5m is funded from fees and charges and the remainder from GiA.

Comment

2

01/06/12 11/08/12

Office of Rail Regulator

Transport: ORR independent safety and economic regulator for Britain's railways.

Budget	GiA Fund	Revenue	Staff	Location
£32.7m	£0m	£30.5m	NN	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
12%	100%	0%	0%	0%

Financial Overview

1 Budget is £74m of which £8.5m is funded from fees and charges and the remainder from GiA. Licence fees (annual fee for operating, which only Network Rail pays) and safety levies (based on operator turnover >£1m).

Comment

2

11/08/12

Office of Water Services Regulator (ofWAT)

Utilities: The Water Service Regulation Authority is economic regulator of the water and sewage companies in England and Wales.

Budget	GiA Fund	Revenue	Staff	Location
£13m	£0m	£12.58m	NN	UK
Service Charge	Permit Charges	Tax/Levy	Trading	Other
12%	100%	0%	0%	0%

Financial Overview

1 Budget is £74m of which £8.5m is funded from fees and charges and the remainder from GiA. Licence fees (annual fee for operating, which only Network Rail pays) and safety levies (based on operator turnover >£1m).

Comment

2

11/08/12

Name of the Organisation

Description of Agency

Budget	GiA Fund	Revenue	Staff	Location
Total Budget	Public Funding	Income	Employees	Region
Service Charge	Permit Charges	Tax/Levy	Trading	Other
0%	0%	0%	0%	0%

Financial Overview

1	Outline description of the gross operating budget and how operations are funded.
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Government Funding

2	Application	Description of the mechanisms for application for grant aid funding
3	Flexibility/ Legislation	Description of any flexibility to accommodate changing circumstances
4	Pressures	Outline of the general drivers and trends with respect to expectations, revenue, change in GiA etc.
5	Linked Objectives	Outline of any links between objectives, performance and funding

Non-Government Funding / Innovation

6	Innovative Solutions	Outline of any innovative funding solutions and where feasible information on the advantages or disadvantages
7	Research/ Studies	Outline or reference to any studies in respect of innovative funding solutions and their impact, application and behaviour.
8	Risk based charging	Outline of any use, application and management of risk based charging schemes
9	Earned recognition/ Incentives	Outline of any earned recognition or incentive based schemes, how they are managed and advantages or disadvantages.
10	Use of Funds	Outline of the use and the application or flexibility of Funds
11	Tax & Levies	Outline of the use, management and advantages/ disadvantages of tax and levies including business impact and behavioural change.
12	Recoverable Services	Outline of any schemes where resource can be recovered for particular skills or services provided
13	Crime and Fines	Outline if regulatory actions can be taken to prosecute or fine and whether the costs and revenues can be used.
14	Annualisation	Outline any possible mechanisms for managing budgets and transfer between financial years.
15	Other	Any other relevant points

	Date
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