

If telephoning ask for:
Huw Thomas

27 August 2015

Dear Sir/Madam

Consultation on proposals to introduce a charging scheme under the Reservoirs (Scotland) Act 2011 and the Reservoirs (Scotland) Regulations 2015

We refer to the above public consultation which ran from 15 May until 10 July 2015 and would like to thank you for submitting your response.

Later in September we will publish on our website a full report on the analysis of the consultation responses. However, ahead of the report's publication we wanted to write individually to each respondent in order to inform you of the main findings from the consultation and the resulting actions to be implemented by SEPA.

In total, we received 29 responses which represents approximately 12% of affected reservoir managers that we wrote to directly about the consultation. All responses received were taken into consideration.

Conclusions and planned actions

The proposed charging scheme has been independently reviewed by Scott Moncrieff Business Advisors and Accountants. That review advised that whilst the methodology for applying charges was reasonable, appropriate and in line with the Scottish Public Finance manual, there was a potential risk to SEPA of under recovery from the charges proposed to be levied. This counterbalances some respondents' views that the task times estimated by SEPA may be too high. We acknowledge the differing opinions on this and SEPA will put in place processes to capture its actual times for administrative and regulatory task to enable a review of charges to be taken within the 3 year period stipulated by the legislation.

As stated in the consultation, we require to fully recover our regulatory and administrative costs. The cost to SEPA of registering and monitoring a site will be the same regardless of reservoir use. Therefore for SEPA to introduce a charge exemption for public sector, charities or recreational/amenity use as was suggested by consultation responses, would result in other sectors having to subsidise the exempt sites. This approach is not acceptable to other stakeholders and it is intended that the same charges will be applied to reservoir managers irrespective of the reservoir use or ownership, as detailed in the consultation.

For existing controlled reservoirs, there is already an exemption from paying registration fees until 30 September 2015. Thereafter a one off fee will only apply to new sites or late registration of existing reservoirs. The registration fees for new reservoirs and/or late registration of existing sites (from 1 October 2015) will remain as detailed in the consultation. As a percentage of the



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total costs associated with the construction of a new reservoir, the registration fee is recognised as being very small.

Similarly, it is planned that annual subsistence fees and the application fee for review of a risk designation given by SEPA will remain as detailed in the consultation. Note in this regard that annual subsistence fees will not commence until 1 April 2016.

However, in consideration of the overall feedback on subsistence fees and notification charges for change of reservoir manager (i.e. 'cessation' and 'new manager' fees); we have decided that the proposed notification fees should be abolished. The costs of dealing with these notifications will therefore be absorbed into the annual subsistence fees at no additional cost to reservoir managers. Therefore there will be no charge for any notifications to SEPA.

A summary of the charges that we intend to introduce from 1 October 2015 are as follows:

Fees Payable

Type of charge	Financial year		
	2015/16	2016/17	2017/18
Registration fee	£488	£505	£523
Annual subsistence fee: *			
High risk reservoir	No fee	£419	£434
Medium risk reservoir	No fee	£282	£292
Low risk reservoir	No fee	£172	£178
Application fee for review of SEPA risk designation	£343	£355	£367

* The annual subsistence fee commences on 1 April 2016.

To place the new annual subsistence charges into context, it should be noted that in 2016/17 the increase in total costs to reservoir managers will be:

- a maximum of £419 per annum for high risk sites (where supervising and inspecting regimes will be the same as current);
- £282 for medium risk sites which may be offset against the fact that 10 yearly inspections will not be required (unless the supervising engineer requests an inspection on the basis of an identified need) and;
- £172 for low risk sites which will no longer have the costs of employing a supervising or inspecting engineer.

If you have any queries regarding the contents of this letter please contact Huw Thomas on 03000 99 66 99 or email reservoirs@sepa.org.uk

Yours faithfully



Les Watson
Flood Risk Manager (Operations)