



Consultation response document  
annexes: Charge proposals from 2018

We are the Environment Agency. We protect and improve the environment.

We help people and wildlife adapt to climate change and reduce its impacts, including flooding, drought, sea level rise and coastal erosion.

We improve the quality of our water, land and air by tackling pollution. We work with businesses to help them comply with environmental regulations. A healthy and diverse environment enhances people's lives and contributes to economic growth.

We can't do this alone. We work as part of the Defra group (Department for Environment, Food & Rural Affairs), with the rest of government, local councils, businesses, civil society groups and local communities to create a better place for people and wildlife.

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## Annex 1 Summary of consultees' responses to each question and our response

This section summarises the responses received to each question in more detail. It reflects the 'yes or no' answers to the questions from the formal e-consultation tool. We also summarise the key issues, and recurring themes raised, where responders provided narrative. Not all responders used the consultation response format, or answered all the questions, but all comments have been given full consideration. Where possible, we have combined all format of responses received and reflected the total number of comments provided.

This summary focuses on key themes raised by responders, rather than listing every comment made.

### Question 1: Do you agree with the proposals to charge fixed charges where we have greater certainty over costs and time and materials in other instances?

Responses to question 1	Number of responses
Yes	185
No	121
Relevant comments provided	155

#### Summary of consultee responses

65% of organisations supported our proposals stating fixed costs do provide certainty and consistency, whilst 53% of individuals were against. Around a third of those individuals that were against our proposals specifically objected to charge increases for works of environmental benefit.

Two main themes emerged from the comments: clarification of guidance and our processes, and a desire for charges to not apply to environmentally beneficial works.

Many respondents were supportive of the principle that was proposed, but wanted further clarification to better understand how charging will work in practice. In particular, many wanted clarification on use of time and materials supplements including further understanding of how the process will work, whether we will be able to indicate costs ahead of work and assurance that our processes are transparent, efficient and don't disadvantage charge payers. A small number (3%) objected to the use of time and materials. Other comments more broadly asked for more transparency on our activity and costs.

The second main theme from comments related to objections to increased charges for works of environmental benefit. Objections were raised that charge increases would be a deterrent to good works being carried out.

#### Environment Agency response

We set out the basis for our charges, modelling and how we have followed HM Treasury rules on Managing Public Money in the consultation document. We have also been subject to Defra and HMT scrutiny throughout the process. We have included more clarification in guidance about our processes, in particular we have set out clearly where supplementary charges apply in addition to any baseline charge, to reduce the perceived uncertainty in these matters. We will continue to implement time and materials charging but will delay the commencement date of some supplementary time and materials charges to October 2018 to make sure that we are ready to provide the service and so that customers can be clearer how it will work in practice. We will also be using these comments to further improve our engagement with customers in future charge reviews.

We have responded to comments on increased charges for works of environment benefit in the flood risk activity section and questions. We have taken the decision to ensure that there is no charge increase for these permits.

**Question 2: Please tell us if you have any comments about the proposed transitional arrangements outlined in section 2.8**

Responses to question 2	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	133

**Summary of consultee responses**

The majority of comments related to concern about the timeframes of the consultation and implementation. Responses suggested that implementation should be delayed or phased, with the responses mostly asking that we defer until April 2019.

**Environment Agency response**

We are unable to delay implementation to April 2019 due to our legal requirements to deliver effective and efficient regulation for which we need to recover our costs. We will continue to communicate with customers to support planning and budgeting for 2018. We are changing the commencement date of some supplementary time and materials charges to October 2018 and we have made decisions on mitigating some charge increases to ease concerns and limit impact.

**Question 3: Please tell us if you have any comments about the common regulatory framework outlined in section 3.1.**

Responses to question 4	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	123

**Summary of consultee responses**

A main theme in the responses was that charges should not apply to environmentally beneficial works carried out by not-for-profit sector. Another key theme was that customers want to see a better service and more transparency in what charges are paying for. Many respondents accepted the principle behind our proposals, but often highlighted inconsistency in past service they had received, raised expectation that regulatory activity will be efficient and provide value for money, and said that we should be open to scrutiny for the services we say we will provide.

**Environment Agency response**

We have included more clarification in guidance about our processes, to be clearer with customers on the service they can expect. We have answered questions in the past on what a customer's charge pays for and will continue to do so when asked. We have responded to comments on increased flood risk activity permit charges for works of environment benefit, taking the decision to ensure that there is no charge increase for these permits.

**Question 4: We anticipate that there will be time saving for businesses if you no longer are required to complete an OPRA profile. Do you agree?**

Responses to question 4	Number of responses
Yes	65
No	56
Relevant comments provided	78

**Question 5: How much time do you think will be saved by not having to complete an OPRA profile as part of a permit application? (in hours)**

Responses to question 5	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	191

Response to questions 5 to 7 combined.

#### **Summary of consultee responses**

Of those who responded, many thought the savings would be low, up to a few hours, with a some responses indicating up to around 10 hours, and a couple advising >20 hours required for complex application. Several advised that they (or their members) had not had to complete a form for an application for several years and could not comment.

#### **Environment Agency response**

This will help inform the analysis required for the Business Impact target that accompanies these changes.

**Question 6: Who usually completes the OPRA profile that is required when applying for a waste, installations or mining waste permit?**

Responses to question 6	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	123

#### **Summary of consultee responses**

	Total
Manager, director or senior official	36
Scientific or technical staff	33
Administrative or secretarial staff	2
Third-party consultant	34
Other	18

**Question 7: How much time do you think will be saved by not having to annually review your OPRA profile? (in hours, per year)**

Responses to question 7	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	191

See answer to question 5.

**Question 8: Who usually completes the annual review of your OPRA profile?**

Responses to question 8	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	123

**Summary of consultee responses**

	Total
Manager, director or senior official	45
Scientific or technical staff	43
Administrative or secretarial staff	2
Third-party consultant	17
Other	16

**Question 9: Do you agree with the proposal to include only basic pre-application advice in all of our application charges?**

Responses to question 9	Number of responses
Yes	112
No	112
Relevant comments provided	139

**Summary of consultee responses**

Responders pointed to a lack of clarity on what our free service consists of, and were concerned about the potential for a reduced pre-application service to result in poorer quality applications. Some trade associations offered to work with us on providing guidance to operators.

### Environment Agency response

We have reviewed our guidance to clarify the extent of both the basic and enhanced service. We will ensure that our published guidance provides the information needed by applicants and we welcome the opportunity to work with Trade Associations to help their members make good applications.

### Question 10: Do you agree with the proposal for a discretionary enhanced pre-application advice service?

Responses to question 10	Number of responses
Yes	104
No	98
Relevant comments provided	148

### Summary of consultee responses

Responders were concerned over the level of the charge, and the nature and quality of the service we would provide.

### Environment Agency response

We have reviewed our procedures, guidance and working practices to ensure that we can provide an efficient, effective 'enhanced pre application' service, ensuring that it is clear to operators what we can provide, and at what cost. We will agree a level of service and an indicative charge with applicants who choose to use this service. Applicants are not obliged to use the Environment Agency service and could choose to seek the advice of a consultant. Our current service costs us considerable time and in line with the rules on setting charges we must recover this from those using this service, and not from the wider cohort of applicants.

### Question 11: To recover our costs we intend to charge each time we review a waste recovery plan. Do you agree with this approach?

Responses to question 11	Number of responses
Yes	57
No	66
Relevant comments provided	73

### Summary of consultee responses

Responders drew attention to the level of the charge and the availability of appropriate guidance and suitably skilled staff.

### Environment Agency response

In developing our charges we have used the [HM Treasury rules on Managing Public Money](#). We have reviewed our guidance and will ensure that submissions are always considered by fully trained and suitably qualified staff.



**Question 12: Do you agree with our proposals to retain a proportion of the fee to cover costs associated with processing poor applications?**

Responses to question 12	Number of responses
Yes	109
No	85
Relevant comments provided	119

**Summary of consultee responses**

Responders drew attention to the level of the charge, the circumstances under which it would be applied, and the quality of technical guidance available to support applicants.

**Environment Agency response**

In developing our charges we have used the HM Treasury rules on Managing Public Money. We have reviewed our application receipt processes including the potential to return applications containing obvious errors or omissions promptly and, therefore without the need to apply the charge. We will revisit our Duly Made process and explain this further to applicants in guidance. We would welcome the opportunity to act on the suggestions from trade associations to work with them to develop model applications to assist their membership.

**Question 13: Do you agree with the proposals for recovering additional costs for determining public interest applications through time and materials?**

Responses to question 13	Number of responses
Yes	84
No	96
Relevant comments provided	118

**Summary of consultee responses**

Responders drew attention to the need to clearly define 'high public interest', the difficulty of budgeting costs not defined at the outset and the potential for opponents of a project and vexatious complainants to cause these charges to be applied.

**Environment Agency response**

We understand the concerns of operators and will defer implementation of this proposal until October 2018. This will allow time to ensure our procedures and guidance provide the most effective framework for this charge. In all cases, we will provide details of the charges promptly once high public interest has been identified. We will establish robust procedures to prevent this approach being exploited by opponents and vexatious complainants.

**Question 14: Do you agree with the fixed charge approach for application amendments during determination?**

Responses to question 14	Number of responses
Yes	94
No	85
Relevant comments provided	105

### Summary of consultee responses

Consultees drew attention to the level of the charge and uncertainty as to the circumstances under which it would be applied.

#### Environment Agency response

This proposal carries forward a charge within the existing scheme with no change to the rate. We will ensure our guidance remains up to date so that applicants are clear what is required in any application and the circumstances under which any supplementary charges will apply.

### Question 15: Do you agree with our proposal to recover costs of determining permits using novel technologies through time and materials charging?

Responses to question 15	Number of responses
Yes	78
No	94
Relevant comments provided	108

### Summary of consultee responses

Responders drew attention to the potential for this to present a barrier to innovation and good works. There was also a perception that the proposal might not be consistent with the Regulators Code.

#### Environment Agency response

In developing our charges we have used the HM Treasury rules on Managing Public Money. We had anticipated that this measure would be used rarely and only for significant and innovative processes (not flood risk activities, or other works of environmental benefit). We have reconsidered our proposal, and will usually now charge the most apt fixed charge while encouraging engagement during pre-application in order that applicants can present their proposals well and ensure prompt determination. Should an applicant wish to take advantage of a time and materials charging approach, to ensure they pay precisely the costs we incur in determination, they are still able to do so using the 'Stage application' process.

### Question 16: Do you agree with our proposals to charge for further information requests not covered within the baseline charge?

Responses to question 16	Number of responses
Yes	96
No	95
Relevant comments provided	109

### Summary of consultee responses

Consultees expressed concern about the level of the charge, uncertainty about how it would be applied and the potential for inconsistency in the way it is applied by different staff.

#### Environment Agency response

We recognise that there is concern about how this is applied across the country. We will review our procedures and guidance to make sure we are clearer and more definitive in our information requests. We will make clear that this charge is only applied for information requests asking for the information on the same issue as a previous request. We anticipate that this measure will be used

very rarely. We intend to continue to implement our proposals, as this does represent cost-recovery in line with HM Treasury rules on Managing Public Money.

**Question 17: Do you agree with our proposal to use the new application fee as the basis for variation and surrender charges?**

Responses to question 17	Number of responses
Yes	88
No	87
Relevant comments provided	101

**Summary of consultee responses**

Responders drew attention to the level of the proposed charges, and about their application to specific sectors.

**Environment Agency response**

In developing our charges we have used the HM Treasury rules on Managing Public Money. We will further refine the activity descriptions to ensure greater clarity and will ensure our staff are trained to interpret the scheme consistently.

We are required to vary permits to ensure government policy and environmental objectives are achieved and need to recover our costs in doing this.

Surrender charges take account of the fact that assessing the state of a site is more than an administrative activity. We have to ensure the site is satisfactory and will not cause harm, taking account of future proposed uses.

For our comments regarding proposals for the intensive farming sector please see question 47.

**Question 18: Do you agree with our approach for discounting batch transfers to a single operator at the same time?**

Responses to question 18	Number of responses
Yes	120
No	19
Relevant comments provided	29

**Summary of consultee responses**

Consultees were generally in favour of our proposals to charge reduced fees for batch transfers. There was some comment that this should be extended to include landfills.

**Environment Agency response**

We do not consider it appropriate to extend this proposal to include landfills. Much of the work on landfill permit transfers involves agreeing long term financial security arrangements, and since these are different for each site, there is no resource saving when a batch of applications are processed together.

**Question 19: Do you agree with the approach we have used to cover our costs associated with determining permits at multi-activity sites?**

Responses to question 19	Number of responses
Yes	99
No	79
Relevant comments provided	97

**Summary of consultee responses**

Responders drew attention to the complexity of the proposals, and asked for clarity to explain how multi-activity charges will be applied.

**Environment Agency response**

In developing our charges we have used the HM Treasury rules on Managing Public Money. We are mindful that there are efficiencies available to us when we consider a single application for multiple regulated activities at the same site at the same time. The scale of the efficiency varies and thus we do have relatively complex rules to enable us to provide the correct discount for the second and subsequent activities, to ensure we recover our costs without under or over charging. We have improved our guidance on these matters to assist our staff and applicants in applying them consistently.

**Question 20: Please tell us if you have any comments about the approach to annual subsistence charging outlined in sections 4.5 and 4.6.**

Responses to question 20	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	129

**Summary of consultee responses**

There was support for the proposed approach to baseline charging, with a desire to have more transparency on how charges were set, and what levels of service the operator can expect. There were reservations over the supplementary charges and the time and materials elements of the charging, with concerns over the unplanned and unpredictable nature of these charges. There were specific concerns for landfill, some Flood Risk Activity impacts, and pre operational costs at incinerators.

**Environment Agency response**

In developing our charges we have used the HM Treasury rules on Managing Public Money when calculating the different fees. We have reviewed our guidance to make sure we are clear on how and when supplementary charges are applied, and ensuring consistent application across the country. We are reviewing the implementation timetable for time and materials charges to enable further work on defining our approach, and ensuring our guidance explains each part of the process clearly. Landfill and incinerator comments are dealt with in the appropriate section.

**Question 21: Do you agree with our approach to charging for non-planned compliance work at permitted sites?**

Responses to question 21	Number of responses
Yes	109
No	75
Relevant comments provided	90

**Summary of consultee responses**

There was support for the proposed approach to baseline charging, with a desire to have more transparency on how charges were set, and what levels of service the operator can expect. There were reservations over the supplementary charges and the time and Materials elements of the charging, with concerns over the unplanned and unpredictable nature of these charges. There were specific concerns for landfill, some Flood Risk Activity impacts, and pre operational costs at incinerators.

**Environment Agency response**

In developing our charges we have used the HM Treasury rules on Managing Public Money when calculating the different fees. We have reviewed our guidance to make sure we are clear on how and when we charge for unplanned compliance work, and ensuring consistent application across the country. We are reviewing the implementation timetable to enable further work on defining our approach, and ensuring our guidance explains each part of the process clearly.

**Question 22: Do you agree with the additional charge to cover extra regulation work in the first year of operation on an activity?**

Responses to question 22	Number of responses
Yes	62
No	117
Relevant comments provided	131

**Summary of consultee responses**

The majority of responders were against this proposal, highlighting that it was not risk based, and that it should be more targeted.

**Environment Agency response**

We have reviewed our proposed implementation for this first year of operation charge, and believe that the most benefit to operators and the environment will be derived by working with new facilities in the waste treatment and transfer sector. We are therefore only implementing this charge for that waste sector.

**Question 23: Do you agree that this first year charge should apply across all regimes and sectors under EPR or should it apply to some sectors only (if so which sector/s)?**

Responses to question 23	Number of responses
Yes	48
No	84
Relevant comments provided	93

### Summary of consultee responses

See answer to Question 22.

### Environment Agency response

See answer to Question 22.

### Question 24: Do you agree with our approach to charging for pre operational and pre construction?

Responses to question 24	Number of responses
Yes	119
No	29
Relevant comments provided	39

### Summary of consultee responses

Operators are generally supportive of this approach, with the exception of the Energy from Waste sector, who disagree with charging them prior to construction (differently from other sectors).

### Environment Agency response

Incinerators often require regulatory effort before the start of construction to provide advice and guidance to operators, carry out administrative tasks and liaise with members of the public. To comply with the HM Treasury rules on Managing Public Money we must look to recover our costs for carrying out this work.

### Question 25: Please tell us if you have any comments regarding our proposed arrangements to recover regulatory costs at multi-activity sites?

Responses to question 25	Number of responses
Yes	52
No	57
Relevant comments provided	57

### Summary of consultee responses

Responders expressed the need for greater clarity on how the rules will operate, avoid adding complexity and additional costs.

### Environment Agency response

In developing our charges we have used the HM Treasury rules on Managing Public Money. Certain operators will, by the virtue of the design and operation of their facilities, undertake several regulated activities. The range of potential combinations and permutations is too wide to address through individually tailored subsistence charge categories for each possibility. To ensure that we do recover the full costs of our work for multiple activities we consulted on a 'sum of all charges rule' where activities that could fall under different Charge Categories would attract separate charges.

Following feedback to our consultation we have simplified these rules, and have ensured the guidance provides clear information to the operators on when these apply and how. We have improved category descriptions for EPR charge categories to give greater clarity for customers as to the extent of the activities covered. Charge categories now list all relevant site types and

processes to enable a quicker look up for customers. This will also help with identifying when additional charges will apply.

**Question 26: Do you agree with our interim arrangements for compliance rating outlined above?**

Responses to question 26	Number of responses
Yes	120
No	56
Relevant comments provided	84

**Summary of consultee responses**

There was a lot of support for our continued use of compliance bands until replaced by a new performance banding approach. There were calls for us to consider bigger reductions for good performers.

**Environment Agency response**

We welcome the support to maintain the current compliance banding approach. To change the multipliers in the current system would require a review and further consultation. We consider it more beneficial to focus our efforts into the development of the replacement system. We will work with industry and will consult in due course on the replacement performance banding approach.

**Question 27: Do you agree with our proposals for flood and coastal risk management permitting charges?**

Responses to question 27	Number of responses
Yes	38
No	125
Relevant comments provided	194

**Summary of consultee responses**

There were a lot of concerns from volunteer groups, charities, river and angling groups about the impact of the proposed charges on the environmentally beneficial works they undertake, sometimes in partnership with the Agency, adding significant costs to non-commercial groups and activities, with over 75% being against, the vast majority for the reason outlined here.

**Environment Agency response**

We have reviewed our approach to charging for environmentally beneficial works. We have introduced a charge activity for 'non-commercial activities undertaken for the purpose of environmental improvement'. We have reviewed the effort we will require to determine applications and monitor these activities and we will not increase charges from their current rates. We will need to use tax-payer funding to subsidise our regulation in this area and we will seek to drive down those costs with further efficiencies.

**Question 28: Please tell us if you have any comments in relation to our flood and coastal risk management proposals. In particular, do our proposals cover all activities you may undertake as an operator?**

Responses to question 28	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	151

### Summary of consultee responses

Responders provided examples of activities which may need clarification and adding to our list of activities.

### Environment Agency response

We appreciate the comments provided, and have reviewed our guidance to ensure we are as clear as possible around our charge categories. We have also reviewed the activities listed in the schedule to the charge scheme and included additional activities suggested by responses.

**Question 29: Do you agree with the proposals outlined for Radioactive Substances Regulations Nuclear?**

Responses to question 29	Number of responses
Yes	20
No	4
Relevant comments provided	3

### Summary of consultee responses

The majority of respondents expressed support for our proposals (over 80%), some citing an understanding that the regulatory expertise (and hence costs) required to carry out our work needs to keep pace with the industry sector.

### Environment Agency response

We welcome support for our proposals and we will implement the new charges proposed.

**Question 30: Do you agree with our revised permit categories for disposal of radioactive waste from unsealed radioactive sources?**

Responses to question 30	Number of responses
Yes	26
No	6
Relevant comments provided	7

### Summary of consultee responses

Some concerns over the level of the increase to charges, but recognition that we need to properly regulate the sector, and the majority supported our proposals (over 80%).



### Environment Agency response

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. As part of our review we have considered the regulatory effort required for the different activities in this sector, the on-costs of updating a secure data system, and have reflected these in setting the charges.

### Question 31: Do you have any comments on our proposal to move from a charging scheme which considers the volume, chemical content and receiving water into which a discharge is made, to a simpler activity-based charging scheme?

Responses to question 31	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	76

### Summary of consultee responses

Half the responders welcomed a simplified charging scheme, assuming the activity based charge will consider content and volume of discharge as integral. Half believed charges should be made up based on the content of the discharge rather than the costs of the regulatory activity, considering the environmental risk of loading of discharges and related to the significance of the impact. Some people had concerns about increases in domestic treated effluent being unfair.

### Environment Agency response

We have developed the new scheme to reflect the way we now regulate, the activities that we undertake and the costs that we incur. Discharges have been split into charge categories based upon their nature, and further divided by the volume of the discharge and in some categories the content. These categories reflect the different levels of regulatory activity we undertake for these types of permits. We have already proposed minimal charges for most householders. For domestic householders and charities with sewage discharges less than 5m<sup>3</sup> per day we are proposing not to charge annual subsistence charges.

### Question 32: Do you have any comments on the proposed approach to reflect the costs of Operator Self-Monitoring?

Responses to question 32	Number of responses
Yes	25
No	56
Relevant comments provided	30

### Summary of consultee responses

Water companies and trade associations were supportive of reflecting operator self-monitoring within our new charging approach. Other responders expressed the need to ensure self-monitoring had overarching supervision and advice from regulatory bodies as well as monitoring to safeguard environmental standards.

### Environment Agency response

The new charging scheme only recognises those circumstances where a permit holder is undertaking Operator Self-Monitoring to an acceptable standard, (for example, Monitoring Certification Scheme). As required by HM Treasury's Managing Public Money the reduced charge reflects our reduced regulatory costs.

**Question 33: For water sewerage companies we have proposed to phase the AMP6 EDM permitting workload across AMP6 and AMP7 to smooth the cost of introducing charges for these variations and to reduce permitting workload pressures. Details are to be confirmed by separate agreement. Do you agree to the proposed approach?**

Responses to question 33	Number of responses
Yes	19
No	15
Relevant comments provided	20

### Summary of consultee responses

The majority of responders welcomed the proposed phasing but felt unable to comment further until the details are confirmed. Respondents asked for more information on the new Event Duration Monitors (EDM) requirements. It was felt by some that phasing should be explored in other areas, not just AMP 6 EDM.

### Environment Agency response

Delivery of Year 3 and 4 AMP6 EDM permits will be phased into AMP7 up to 2023. This will give a smoothed and manageable delivery profile for both the Environment Agency and Water and Sewerage Companies (WaSC). It will also allow WaSCs to include some Strategic Review of Charges AMP review costs in their PR19 business plan. We intend to limit the phasing proposal to EDM permits which are low environmental risk and have no associated statutory or directive requirements. Other schemes must be delivered and permitted to agreed schedules within AMP6 subject to any changes, by agreement, on a case by case basis. The details of this proposal will be confirmed to WaSCs through our usual technical and management liaison routes.

**Question 34: Do you have any comments on the proposed approach to variation charges specifically relating to Water Discharge and Groundwater activity permits?**

Responses to question 34	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	39

### Summary of consultee responses

Those responders that commented on the proposed variation charge agreed in principle. However, they felt that the proposed proportions charged for variations were too high and that no charge should be made if the variation was initiated by the Environment Agency.

### Environment Agency response

We or operators may need to vary a permit for a number of different reasons. We are required to vary some permits to ensure government policy and environmental quality objectives are achieved (such as when new quality standards need to be applied, for example, compliance with bathing water standards). Some of these variations are simple in nature, requiring lower levels of effort to assess, while others can mean a substantial change to the activities and the conditions we need to apply. Using evidence, we have derived a charge based on a proportion of the new application charge that recovers the costs incurred when we vary permits.

**Question 35: Do you have any other comments on the Water Discharge and Groundwater Activities Proposal?**

Responses to question 35	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	40

**Summary of consultee responses**

Other comments on the water discharge and groundwater activities proposal included:

- Farmers should be charged a fee for river frontage and be reimbursed if they can show they are not discharging water into rivers.
- The retained fee for domestic discharges of less than 5 cubic metres where the variation will remain as £125 is appropriate.
- Further assessment is required into the impact on water competition of substantial fee increases to new discharge applications. Whilst assessment is being undertaken new NAV discharge application charges should be fixed at existing rates or otherwise reduced by a factor acknowledging sustainability gains.
- Customers understand the Environment Agency’s need to recover costs. However, they are concerned that the increased costs may change the conclusion of the cost benefit ratio of a given scheme.
- Some concerns low-profit businesses may suffer and charges are not proportionate.
- The charging tables could be clearer in order to compare existing charges to proposed new charges.

**Environment Agency response**

We have considered the economic impact and affordability of our proposals, and do not believe sectors will be negatively impacted by these changes. We have taken on board comments given on clarity of the scheme, guidance and charging tables and updated our material accordingly.

In response to some of the key points above:

Charging on the basis of river frontage does not reflect the costs we incur.

We recognise the point on cost benefit decisions but consider in most cases that our charges are a relatively minor element of the overall costs of such schemes. Charging for these scheme also ensures and confirms the environmental benefits are delivered.

Comparison of the existing scheme and charges to the new charges is recognised as potentially challenging. However, we have retained some common elements notably by retaining the volume bands and most of the categories of permit are similar or intuitive for example, sewage and cooling water. Differences in charges are because the basis of the scheme has changed from an algorithm of content, volume and environment factors to one that is based on activity costs.

**Question 36: Do you agree with our proposals for the installations: chemicals sector permit charges?**

Responses to question 36	Number of responses
Yes	17
No	13
Relevant comments provided	14

### Summary of consultee responses

Responders requested clarification on the definitions for the different categories of activity in this sector.

#### Environment Agency response

We are reviewing our description of the different charge categories to make them clearer as well as reviewing the number of charge categories with a view to making them simpler for this sector. The charges were set following the HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector.

### Question 37: Do you agree with our proposals for the installations: refineries and fuels sector permit charges?

Responses to question 37	Number of responses
Yes	11
No	10
Relevant comments provided	10

### Summary of consultee responses

There were questions over the level charges were set at, what our regulatory effort will be, and further clarity on category definitions.

#### Environment Agency response

We are reviewing our description of the different charge categories to make them clearer. The activity of storage and handling of crude oil/ stabilised crude petroleum, has caused confusion as there is a similar Part B activity for storage of petroleum. We have improved our descriptions to clarify the differences in our revised documents.

### Question 38: Do you agree with our proposals for the installations: Energy from waste sector permit charges?

Responses to question 38	Number of responses
Yes	25
No	23
Relevant comments provided	19

### Summary of consultee responses

Although there was a narrow majority in favour of this approach there was a common objection to the pre-construction fixed charge and the subsistence charge starting from the construction stage.

#### Environment Agency response

We welcome the support for our approach to the general charging in this sector, and note the concerns regarding pre construction and 'pre-operational' charges. See Question 24 for pre-construction charges. Working with operators during the pre-operation period requires a significant amount of regulatory effort, particularly on the assessment of pre-operational measures and during commissioning, and it is important that we recover our costs for this work.

**Question 39: Do you agree with our proposals for the installations: food and drink sector permit charges?**

Responses to question 39	Number of responses
Yes	32
No	9
Relevant comments provided	13

**Summary of consultee responses**

We saw a generally positive response to the proposals and approach to charging for this sector.

**Environment Agency response**

We welcome the support for the approach to charging for this sector, and are working to further improve the clarity of the explanation for the component system that applies to this sector.

**Question 40: Do you agree with our proposals for the installations: onshore oil and gas sector permit charges?**

Responses to question 40	Number of responses
Yes	13
No	6
Relevant comments provided	2

**Summary of consultee responses**

Majority in favour, no comments.

**Environment Agency response**

We welcome the support for these proposals.

**Question 41: Do you agree with our proposal to introduce a time and materials charge for our regulatory work associated with Hydraulic Fracturing Plans?**

Responses to question 41	Number of responses
Yes	21
No	6
Relevant comments provided	9

**Summary of consultee responses**

A strong majority supported this approach, but sought clarity on what time and materials covers.

**Environment Agency response**

We welcome the support for this approach to charging for additional work resulting from hydraulic fracturing activity. We will look to clarify the extent of this approach.

**Question 42: Do you agree with our proposals for the installations: paper, pulp and textile sector permit charges?**

Responses to question 42	Number of responses
Yes	13
No	5
Relevant comments provided	4

**Summary of consultee responses**

A strong majority supported this approach, but a question over increases.

**Environment Agency response**

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. As part of our review we have considered the regulatory effort required for the different activities in this sector, and have reflected these in setting the charges.

**Question 43: Do you agree with our proposals for the installations: combustion and power sector permit charges?**

Responses to question 43	Number of responses
Yes	20
No	19
Relevant comments provided	22

**Summary of consultee responses**

Concerns over definitions, require clarity, and also how certain activities will be categorised. Further questions on Medium Combustion plant interpretation.

**Environment Agency response**

We are reviewing our description of the different charge categories to make them clearer. The charges were set to recover our costs for regulating the different activities in this sector, and followed the rules on how we set these charges. We are also specifically considering how the term Medium Combustion Plant is interpreted and looking to provide further clarification on how it such plant will be charged for.

**Question 44: Do you agree with our proposals for the installations: mining waste sector permit charges?**

Responses to question 44	Number of responses
Yes	19
No	5
Relevant comments provided	7

**Summary of consultee responses**

Majority in favour, some concern on the transparency and level of fees.

### Environment Agency response

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. As part of our review we have considered the regulatory effort required for the different activities in this sector, and have reflected these in setting the charges.

### Question 45: Do you agree with our proposals for the installations: metals sector permit charges?

Responses to question 45	Number of responses
Yes	20
No	15
Relevant comments provided	14

### Summary of consultee responses

Customers were concerned that the increase in charges was too large, that it would create a burden, and cause competitive disadvantage.

### Environment Agency response

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. As part of our review we have considered the regulatory effort necessary for each defined activity, and have reflected these in setting the charges for the different activities.

### Question 46: Do you agree with our proposals for the installations: cement and lime sector permit charges?

Responses to question 46	Number of responses
Yes	9
No	9
Relevant comments provided	11

### Summary of consultee responses

Concern that the charges do not reflect the level of risk, and the performance of the sector.

### Environment Agency response

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. As part of our review we have considered the regulatory effort required for the different activities in this sector, and have reflected these in setting the charges. To address concerns about the level of risk, we have further reviewed our planned activities here against those in comparable sectors and have reduced the charges set out in the consultation where this was appropriate. The baseline charges have been set at levels for good performers.

**Question 47: Do you agree with our proposals for the installations: intensive farming sector permit charges?**

Responses to question 47	Number of responses
Yes	14
No	31
Relevant comments provided	39

**Summary of consultee responses**

Concerns over increases to charges (applications and variations), comments on transparency.

**Environment Agency response**

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. As part of our review we have considered the regulatory effort required for the different activities in this sector, and have reflected these in setting the charges.

We will continue to work with the trade associations to improve ways of working. We are developing the approach to variations for the review of permits triggered by the new intensive pig and poultry BREF document. We expect that by working with the trade associations and permit holders we can streamline the variation process to update permits and charge £380. This will be dependent on permit holders completing preparatory work to enable a streamlined assessment. If a permit holder fails to engage in the approach, or provides inadequate information or applies for a derogation such that a streamlined review is not possible, the charge would revert to the normal or substantial variation charge (depending on the complexity) set out in the charging scheme.

**Question 48: Do you agree with our proposals for the waste: land spreading (mobile plant) sector permit charges?**

Responses to question 48	Number of responses
Yes	15
No	52
Relevant comments provided	59

**Summary of consultee responses**

There was concern over the increased charges for this sector, and concern that the charges may drive an increase in illegal activity.

**Environment Agency response**

We recognise the concerns expressed in the consultation responses for this sector in regard to the charges proposed. We believe the increases are necessary to address the current underfunding for regulation in this sector. The increase in charges is to enable us to carry out the work we need to do going forward, and to fully recover the costs of doing so. We would welcome the opportunity to work with trade associations on improving ways of working.



**Question 49: Do you agree with our proposals for the waste: waste transfer and treatment sector permit charges?**

Responses to question 49	Number of responses
Yes	45
No	38
Relevant comments provided	49

**Summary of consultee responses**

Responders raised issues around lack of transparency, the size of increases and the timing of implementation. Several of the responders that did not agree with the proposal had confused the application charges with the subsistence charges.

**Environment Agency response**

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. As part of our review we have considered the regulatory effort required for the different activities in this sector, and have reflected these in setting the charges. While some charges have reduced, Biowaste treatment charges have increased to reflect the regulatory efforts needed to manage risks and deliver compliance activity. We are keen to work with the industry to explore opportunities for future efficiencies. We have recognised that holders of standard rules permits (SRP) may prefer to see explicit reference to each SRP in the charge tables, thus they have now been included.

**Question 50: Do you agree with our proposals for the waste: landfill and deposit for recovery sector permit charges?**

Responses to question 50	Number of responses
Yes	32
No	32
Relevant comments provided	38

**Summary of consultee responses**

There were concerns over the fees being applied especially to closed landfills, there were also related questions on bulk transfer applications (discounts), and some comment on charging categories.

**Environment Agency response**

We have reviewed our description of the different charge categories to make them clearer. The charges are set to recover our costs for regulating the different activities in this sector, and followed the rules on how we set these charges. We recognise the specific concerns around closed landfill sites, and have provided a reduced charge for operators of those sites that can successfully provide evidence of lower environmental risk. This together with removing the charge for high risk reviews will reduce potential costs for closed landfill operators, while enabling us to ensure appropriate regulation for this sector.

### Question 51: Do you agree with the above increase for a T11 exemption?

Responses to question 51	Number of responses
Yes	24
No	25
Relevant comments provided	30

#### Summary of consultee responses

Responders were concerned about the extent of the increase in charges.

#### Environment Agency response

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. However, we have reviewed the regulatory effort required for this sector, to see if a reduction should be made to the new proposed charge. The nature and size of the companies that have registered the 680 exemptions is pertinent here. There is considerable variance from large multi-site waste management operators to small charities or business. In light of Defra's Waste Crime Consultation proposals, launched during the consultation, it is likely the larger companies' activities would require a permit. With the remaining registrations falling towards the smaller size range we can reduce the regulatory effort we had planned. As a result we will now charge £1,221 rather than £1,452.

### Question 52: Do you agree with the proposal to reduce the Thames regional charging area Standard Unit Charge?

Responses to question 52	Number of responses
Yes	23
No	20
Relevant comments provided	22

#### Summary of consultee responses

A small majority of responders agreed with reducing the Thames regional charging area Standard Unit Charge. Responders were concerned about decreasing charges for this area of work and increasing charges elsewhere. They wanted to understand more about why this charge was decreasing.

#### Environment Agency response

In the consultation a reduction to the Standard Unit Charge (SUC) rate for Thames charge account customers was proposed. However, during this consultation the set of planning assumptions have materially changed. The changing costs of water resource management have caused us to defer implementing a reduction for 2018/19.

The long lead time for the consultation meant that our planned cost forecasts for the consultation have developed with the evolving dry weather. As the dry weather continued, we have had to plan for the recruitment of staff and investment in assets to help protect and intervene for the environment from spring 2018.

As a result we are proposing to defer the implementation of a reduced Thames charge until the full true costs are known.

**Question 53: Do you agree with the proposal to remove the River Alre (northern and southern reaches) from the list of supported sources in the Abstraction charging scheme?**

Responses to question 53	Number of responses
Yes	14
No	8
Relevant comments provided	7

**Summary of consultee responses**

The majority of responses were in favour of removing the River Alre from the list of supported sources.

**Environment Agency response**

We will remove reference to the River Alre (northern and southern reaches) and its associated charging factor from the list of supported sources in Schedule 1 to the Abstraction Charging Scheme. This support scheme on the River Alre was decommissioned in December 2015 after a thorough assessment and it was found to be no longer environmentally sustainable. Therefore a service no longer exists for it and no customers have been paying for it since the scheme was decommissioned.

**Question 54: Do you agree with the proposed increase in our hourly rate charged for Control of Major Accidents and Hazards (COMAH)?**

Responses to question 54	Number of responses
Yes	40
No	18
Relevant comments provided	22

**Summary of consultee responses**

There was concern from some responders about the extent of the increase, and how we had arrived at the charge.

**Environment Agency response**

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating COMAH establishments the same as other Competent Authority (CA) partners in England. As part of our review we have considered the regulatory effort required for the regime.

**Question 55: Do you agree with the proposed introduction of a new charge for work on external emergency plans?**

Responses to question 55	Number of responses
Yes	36
No	17
Relevant comments provided	15

**Summary of consultee responses**

Responders are concerned about this new charge, its size, and how it will be billed for.

### Environment Agency response

A change in the COMAH 2015 Regulations allows us as a Designated Authority to recover our costs of participating in external emergency exercises by invoicing operators via the local authority. This would replace a need for government funding. We have to set the rate to reflect the costs of providing this service in accordance with the HM Treasury rules on setting charges.

### Question 56: Do you agree with the proposal to move from tiered charges to one flat rate annual subsistence charge for installations operators and one flat rate annual subsistence charge for aviation customers?

Responses to question 56	Number of responses
Yes	37
No	14
Relevant comments provided	16

### Summary of consultee responses

Responders consider the increase excessive for small emitters, and wish more transparency on how the charges were arrived at.

### Environment Agency response

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. As part of our review we have considered the regulatory effort required for the different activities in this sector, and have reflected these in setting the charges.

### Question 57: Do you agree with the proposal to amend the registry charges?

Responses to question 57	Number of responses
Yes	27
No	21
Relevant comments provided	21

### Summary of consultee responses

Responders consider the increase in the charge for changing the authorised representative to be too high, and wish for more transparency on how the charges were arrived at.

### Environment Agency response

We have to follow HM Treasury rules on Managing Public Money to recover our costs for regulating the different activities in this sector. As part of our review we have considered the regulatory effort required for the different activities in this sector, and have reflected these in setting the charges.

### Question 58: Do you agree with our proposed increases to large producer charges?

Responses to question 58	Number of responses
Yes	34
No	52
Relevant comments provided	52

**Question 59: Do you agree with our proposed increases to AATF and AEs charges?**

Responses to question 59	Number of responses
Yes	33
No	53
Relevant comments provided	54

**Question 60: Do you agree with or proposal to introduce an annual subsistence charge for compliance schemes?**

Responses to question 58	Number of responses
Yes	67
No	22
Relevant comments provided	54

**Summary of consultee responses**

Response to questions 58 to 60 combined.

The major Trade Association tabled an alternative approach to charging, which was supported by many other responders.

**Environment Agency response**

We have considered the suggestions on how we could amend the charging approach. However, there are aspects that we consider would not meet the rules on setting charges or would require a further consultation to implement (because they are so different). Where we feel we can take account of feedback on the design of the charge we have reviewed both our work and the charge elements, as we have set out in section 3.9 of the main document.

**Question 61: Have you used our Definition of Waste panel service?**

Responses to question 61	Number of responses
Yes	25
No	130
Relevant comments provided	4

If yes, was our opinion that your waste was A - a waste, B - not a waste?

Responses	Number of responses
A - a waste	8
B - not a waste	15

**Question 62: Do you use the waste quality protocols or other end of waste framework?**

If so which?

Responses to question 62	Number of responses
Yes	47
No	97
Relevant comments provided	50

**Question 63: Do you support our proposal to recover the cost of providing Definition of Waste services outlined in section 6.1?**

Responses to question 63	Number of responses
Yes	64
No	33
Relevant comments provided	42

**Question 64: Please tell us if you have any further comments on Definition of Waste Charging proposals.**

Responses to question 64	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	36

**Summary of consultee responses**

Response to Q53 and 64 combined.

The majority of responders are in favour of the service and charging for it. Some would like more information about how the charge was calculated, clarity on what the service will provide and a cap on the maximum hours. Others think that the service should be free and funded through Government budget. If implemented, customers would like to see service level agreements set up and timeframes agreed. There were also some concerns about a conflict of interest with our role as an enforcement body and also that having a charge for this service might stifle innovation.

**Environment Agency response**

We will implement the proposal to charge for providing a Definition of Waste (DoW) service. The services are optional for customers. Businesses are legally entitled to form their own opinion on whether their material achieves end of waste/by-product status so they can opt to make their own determination without incurring charges by using definition of waste guidance and associated tools.

As described in the consultation document customers will pay an interim fee of £750 on submission, equivalent to 6 hours work. This is the minimum time required to complete the activities required for each and every submission whether or not the customer decides to progress to the full technical and legal assessment.

The customer will then be provided with an estimate of the resource need, hence cost, of further work required to complete the full technical and legal assessment and provide a formal opinion. This will be calculated as the estimated number of hours required multiplied by the hourly rate of £125. A voluntary agreement will be made with the customer before any further work is carried out on the full technical and legal assessment.

Customers can agree to continue with the submission on that basis, or withdraw at that point without incurring further costs.

**Question 65: Do you agree with our proposed increase to the hourly rate charged for our bespoke spatial planning advice service?**

Responses to question 65	Number of responses
Yes	73
No	49
Relevant comments provided	54

**Summary of consultee responses**

The majority of responders agreed with the proposal. Some felt the charge was too high and asked for transparency about how the charge had been derived. Responded wanted more clarity on the service provided and suggested the need for a service level agreement. Others suggested that the process needs to be more efficient and the advice provided more robust. Other comments believed that we should not charge charities and a few responses think that the charge will stifle development.

**Environment Agency response**

Our previous hourly charge of £84 was based on a model established in 2014. Since then we have refined the model parameters as we have a better understanding of the division of work within the grades and our various functions. The number of chargeable days has also been reviewed and updated. The new charge of £100/hr covers our costs and is in line with Managing Public Money guidance. We will continue to develop our chargeable service, using surveys to seek feedback and improve. We continue to build the capability and capacity of our staff, enhancing the quality of service received and condensing the number of hours required, thus providing greater value for money.

**Question 66: Do you have any concerns that the proposal to increase the charge for our discretionary planning advice service might compromise our ability to carry out our statutory planning advice duties?**

Responses to question 66	Number of responses
Yes	46
No	66
Relevant comments provided	39

**Summary of consultee responses**

There are concerns that there will be a conflict of interest in the Environment Agency acting as a consultant for discretionary services at the detriment of statutory duties. However, many believe that there will not be a negative impact on our ability to carry out statutory duties. Others are concerned that charging for this will deter customers asking for advice.

**Environment Agency response**

When providing our discretionary planning advice we comment on the details drawn up by developers and their consultants. We do not design schemes for developers or undertake a consultancy service, rather we look at the environmental impacts that a proposed development might have on issues that fall within our remit and assess whether we consider that the proposal satisfactorily addresses those concerns. Our discretionary advice service is self-funding and is

based on full cost recovery and therefore doesn't impact on our statutory planning duties. By engaging in pre-application discussions and resolving potential issues early in the planning process, this should actually speed up the statutory stage and make it more efficient, rather than being at the detriment of it. We have been charging for our discretionary advice since 2014 and year-on-year developers have increased their demand for the service so we don't consider that charging deters customers from seeking advice. Without this increase in charge the service isn't sustainable and the valued advice we provide to developers won't be available.

**Question 67: In line with our planning advice service, do you agree with our proposal to introduce a discretionary hourly rate service for our marine licensing advice service?**

Responses to question 67	Number of responses
Yes	27
No	26
Relevant comments provided	22

**Summary of consultee responses**

The majority of responders agreed with the proposal though many would expect greater efficiency and expertise for the charge. Some felt the charge was too high and asked for transparency about how the charge had been derived. Some comments believe charging for this incentivises the Environment Agency to provide poor free advice. There are other concerns that organisations undertaking activities with an environmental or public benefit will lose out as the charges mean they will not be able to compete with commercial operations.

**Environment Agency response**

Our proposed charges for the provision of advice on marine developments is an hourly rate based on analysis and modelling of historic costs. The consultation document gave more information on how we modelled the charges. The rate is set to ensure that the Environment Agency recover the full costs of delivering this service in line with HM Treasury's Managing Public Money.

There is a clear distinction between the preliminary (free) advice and the voluntary paid for advice/service. Many smaller projects and lower risk activities would get all the advice they need in the preliminary opinion. Larger, more complicated projects would be able to pay for more detailed technical advice. There is no obligation for people to seek our advice before submitting a marine licence application.

Our charging processes will follow the same as for bespoke spatial planning advice – see response to question 65.

**Question 68: Please tell us if you have any comments on our plans to review abstraction charges?**

Responses to question 68	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	59

**Summary of consultee responses**

The majority of responders agreed and welcomed the plan to review abstraction charging to coincide with any licence system and regulatory change. Responders asked for early engagement, transparency and clear consultation of charge bands. Comments suggested the removal of old



unnecessary permits, charges that don't impact SME / individuals, stable charges that are proportionate to scale of operation, introducing changes in line with Price review periods and any increases in line with inflation rather than step changes.

### Environment Agency response

As mentioned in the consultation document, alongside the reform of the abstraction licensing system, we will be reviewing abstraction charges in line with the aims of the Strategic Review of Charges and to align with the strategic framework being consulted on for current regimes in EPR. The timetable for reforming the abstraction charges framework is still to be determined; timing will be aligned to complement the proposed move of licensing into EPR. We will engage and develop our proposals in collaboration with our customers and will undertake a full consultation in the future.

**Question 74: Please give us any further comments on our proposals which have not been covered elsewhere in the questions, i.e. if none of the questions throughout the consultation have enabled you to raise further specific issues with these proposals please set them out here with any accompanying evidence.**

Responses to question 68	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	340

### Summary of consultee responses

Consultees reaffirmed the items raised in the responses to specific topic questions. These were around transparency, implementation, accountability, and clear guidance.

**Question 75: We would be interested in any analysis you have that suggests our proposals will influence the market conditions in your sector and whether there will be an impact on future investment decisions and on new entrants to the sector?**

**Please provide full evidence you have to support your answer along with any possible mitigating actions.**

Responses to question 68	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	108

### Summary of consultee responses

28 individuals commented. 70 comments were given on behalf of an organisation. No quantitative evidence was provided to demonstrate there will be an impact on future investment decisions and on new entrants to the sector. Mitigating actions included not putting the costs up and considering phasing the charge increases in over time. The responses contained the following themes:

- large concern about the increasing charges for non-profit making organisations, specifically around environmentally beneficial works
- charging not supportive of innovation and may discourage small start-up operations entering the market
- increased farm permitting costs will have an impact on investment in the pig and poultry industry

- increased costs for mobile plant for land spreading are likely to discourage genuine operators and drive more waste into illegal activities
- customers highlighted that if charging is complex and expensive people will avoid compliance driving more illegal activity and result in an unfair playing field for large operators who wish to comply
- increased costs should deter rogue operators and encourage best practice

**Question 76: Do you have any analysis that suggests the charge increases will impact on SMEs in your sector?**

**If so, which companies are most likely to be affected and what do you think will be the consequences?**

Responses to question 76	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	76

**Summary of consultee responses**

17 individuals commented and we had responses from 20 charities, 5 trade bodies and 29 responses on behalf of an organisation. 22 comments were about the impact charge increases would have on environmentally beneficial works done by charities, rivers trusts and NGOs. Responders thought those sectors/groups most affected would be pig and poultry, agriculture, sheep Farmers, Angling clubs, Trusts, Conservation groups, Local community groups, Non-VAT registered companies involved in WEEE, vehicle dismantlers, closed landfill operators, composting business, regional gas supply companies, commercial water development customers, not for profit organisations, aquaculture.

Responders suggested that there may be impacts to innovation, financial provision, site abandonment, illegal activity and the perceived value of land spreading material.

**Please provide any evidence/data along with any mitigating options**

Responses to question 76	Number of responses
Yes	n/a
No	n/a
Relevant comments provided	32

**Summary of consultee responses**

4 individuals commented. We had responses from 8 charities, 1 trade association and 15 on behalf of an organisation. There was very little data provided other than listing the cost of existing permits and what they can expect to pay under the new scheme.

7 responses suggested mitigating options and these included:

- more streamline and less complicated applications for simpler work
- environmentally beneficial work should either have a reduced charge or be exempted
- charge scheme should take into account the scale and type of enterprise
- Environment Agency could work more with partnerships to reduce need for Flood scheme permits

- scope of exempt activities should be widened
- increase the number of birds in intensive farming bands so less financial pressure on smaller units
- hydropower should have a standard rules permit

### **Environment Agency response**

Combined response for questions 74 to 76.

We have undertaken further economic work to look at affordability and new entrants to the sector (Annex 3). The review has concluded that proposals would not have a significant impact on barriers to entry for the EPR sectors because the sectors that are most likely to be affected are also characterised by high start-up costs, revenue volatility, and concentration with low competition, which play a greater role in preventing potential entrants from entering the market.

Regarding affordability, overall our detailed analysis has shown that the increases in charges will not have a negative impact. However, there is a very small number of companies (11 companies) for which the charges are likely to be unaffordable. There is also some uncertainty due to the lack of financial information on a number of small companies who do not publish their turnover.

Therefore in response to feedback and subsequent discussions with the sectors, we have made some decisions and changes to charges around environmentally beneficial works, the pig and poultry industry and for novel technologies. More information on these decisions and the action taken as a result of feedback can be found in Section 3.

## Annex 2 List of consultation participants

The following table lists the organisations that took part in the consultation. Individuals and anonymous responders are not included in this table.

### Organisations and groups that declared their participation in the consultation

4R Group
A & R Cambridge
Action for the River Kennet
ADBA - Anaerobic Digestion and Bioresources Association
AG Barr plc
AGA Rangemaster Limited
AGC Chemicals Europe Ltd
Agricultural Industries Confederation
Albion Water Limited
Allerton Project, part of the Game & Wildlife Conservation Trust
All-Party Parliamentary Sustainable Resource Group
Amey plc
Amwell Magna Fishery
Anglian Water
Anglian Water Services Ltd
Angling Trust & Fish legal
Ansley Hall Management Company
Aquascience Ltd
Association of Drainage Authorities
Association of Inland navigation Authorities (AINA)
Avington Estate
AWJ Forest Products
B&W Group Ltd
Barbel Society Regional Officer, Angling Trust member, PAG member
Baro Lighting UK Ltd
Barton Court Estate
Bedfordshire Rural Communities Charity Partnership - Upper & Bedford Ouse Catchment Partnership
BEIC - British Egg Industry Council
Berks, Bucks & Oxon Wildlife Trust, the Cherwell & Ray Catchment Partnership and the Windrush Catchment partnership
Biffa Waste Services Limited
Bishopstoke Fishing Club
Blackburn Chemicals Ltd
Blackwater Valley Countryside Partnership

Blendcheck Ltd
Blickling Fishing Club
Bradford City Angling Association (BCAA)
Bridgnorth Aluminium Limited
Brier Hills Recycling Ltd
Bristol Avon Rivers Trust
British Association for Chemical Specialities
British Free Range Egg Producers Association
British Glass
British Marine
British Meat Processors Association (BMPA)
British Metals Recycling Association (BMRA)
British Poultry Council
British Steel Limited
British Sugar
British Trout Association
BSH Home Appliances Ltd
British Vehicle Salvage Federation (BVSF)
C.A.Stevens & Sons Transport Ltd
Calder and Colne River Trust
Cambridgeshire Marine Industries
Canary Technology Europe Limited
Carlisle Flood Action Group (CFLAG)Cumbria River Authorities Governance Group (CRAGG)
Castle Acre Fishing Club
Castle Waste Services Ltd
Catchment Partnerships in London (CPiL)
CBI Minerals Group
CEMEX UK
Central Association of Agricultural Valuers
Chemical Business Association
Chemical Industries Association
Chilterns AONB Office
Civil Service Angling Society
CIWM - Chartered Institute of Waste Management
CLA
Clandell Ltd
Cleansing Service Group Ltd

CMJ Gifts Ltd
CMS Distribution
Colt Data Centre Services
Commercial Boat Operators Association
Complete Utilities Ltd
Comply Direct
Conica Ltd
ConocoPhillips
Cornwall Catchment Partnership (CaBA) / Cornwall Wildlife Trust (host org)
Cotswold Flyfishers
Cotswold Water Park Trust and the WILD Partnership
Council of the Isles of Scilly
Coventry City Council Flood Risk Management & Drainage team
Cressbrook & Litton Flyfishers Club
Culmington Flood Action Group
Cumbria County Council Countryside Access Team
Cumbrian farmer flood group
CYRANO LEISURE
Dairy UK
Darent Valley Trout Fishers.
DBA-The Barge Association
Derbyshire County Council
Derbyshire Wildlife Trust
Derwent Fly Fishing Club Ltd
Derwent Hydroelectric Power Limited
Derwent Owners' Association
DIALIGHT EUROPE
Digit Resource Management Limited
Dittons Skiff and Punting Club and the Thames Punting Club
Don Catchment Rivers Trust
Dorset County Council Highways Department, Structures Team
Dunbia Ltd
East Anglian Waterways Association Ltd
Ecosurety
EDF Energy
EEF - Engineering Employers Federation
EGGER UK Ltd

EHS Projects Ltd
Elektron Music Machines
Ely Marine Ltd - Marina
Energy Conservation Solutions Limited
Energy Power Resources Limited
Energy UK
Engreen Environmental Consultants Ltd
Envar Composting
Envireau Water
Environmental Health Services, Environmental Protection Team, Leeds City Council
Environmental Protection UK
Epperston Park Hatcheries
Erith Group
Esk Fishing Association
Essex Scientific Laboratory Supplies
FCC Environment
FGS Agri Ltd
FGS Organics Ltd
FineLED
Food and Drink Federation, FDF
Foodchain & Biomass Renewables Association (FABRA UK)
Forge Env Management Ltd
Fridays Ltd
Friends of Barnes Common
Fullerton Farms
Furniture Matters
G C RECYCLING (ORGANICS) LTD
Gateshead Council
GE Lighting Ltd
Gerrards Cross Angling Society
Gloucester City Council
Gloucestershire Farming and Wildlife Advisory Group
Golder Associates (UK) Limited
Grad Speciality Products Ltd
Grantham Angling Association Flyfishing Section
Grass & Sky Ltd (campsite)
Green Frog Power

Greenergy Biofuels
Greywell Flyfishers Club
Groupe SEB UK Ltd
H.J.Enthoven & Sons, Secondary Lead Smelter in the Non_ferrous Metals sector
Hampshire & IoW Wildlife Trust
Hampshire Avon Catchment Partnership (HACP)
Hampshire County Council
Hanson UK
Harlow Council
Harnham Court Management Co. Ltd
Heathfield LED Ltd
Hertfordshire and Middlesex Wildlife Trust
Hills Quarry Products Ltd
Hills Waste Solution Limited
Histon & District Angling Society
HMNB Devonport
Huby Angling Club
Imake Ltd
INEOS Upstream Services (INEOS Shale)
Inland Waterways Association
ITM Power (Trading) Ltd
J V C Kenwood UK Ltd
John Mills Ltd
Joint Trade Association (JTA)
Keep Britain Tidy
Kellwood Engineering Ltd
Kennet Valley Fishery Association
Kent Countryside Partnerships
Kent County Council
Kingston Council Lead Local Flood Authority
Kingston University
Kirby Grindalythe Management Company Ltd
Kirkby Stephen & District Angling Association
Knaresborough Anglers' Club
Lake District National Park Authority
Lancashire County Council Emergency Planning
Land and Water Services Ltd



LEDVANCE LTD
Lenwade Pike Club
Loddon Fisheries and Conservation Consultative
London Borough of Newham
London Underground for Greenwich Power Station ONLY
London Waterkeeper
London Wildlife Trust
Lucite International UK Ltd
M & E Hall
Magdalen College, Oxford
Malmesbury Town Council Flood Warden Team
Maltsters Association of Great Britain (MAGB)
Marina River Great Ouse
Marley Eternit Ltd
McCain Foods (GB) Ltd
Methanogen UK Limited
Middle Thames Fisheries Conservation Partnership (MTFCP)
Minimise Energy Limited
Ministry of Defence
Motorhog Ltd
MPA - Mineral Products Association
Naim Audio
National Association of British and Irish Millers (nabim)
National Bargee Travellers Association
National Farmers' Union (NFU)
National Flood Forum
National Grid UK
National Pig Association (NPA)
National Sheep Association
National Trust
National Westminster Fly Fishing Association (NWFFA)
Natural England (Defra agency)
Nauticalia Ltd
Ness Fly Fishers
Noble Foods Group
NonFerrous Alliance
Norbury Fishing Club

Norfolk County Council
Norfolk Rivers Trust
North East Kendal Flood Action Group
North London Waste Authority
North Pennines Area of Outstanding Natural Beauty Partnership
North Yorks Moors Quality Sheep Association
Northumberland Rivers Catchment Partnership
Northumberland Rivers Trust
Nottinghamshire Wildlife Trust
NuGeneration Limited
Oaklands Farm Eggs Ltd
OE Electrics
Oil Recycling Association
Ouse & Adur Rivers Trust
P. H. Hardwill Ltd
Panasonic UK
Parish Council (for Fremington Quay Management Committee)
Pelsis Ltd
Perry Catchment Group
Peterborough City Council
Peterborough City Rowing Club
Philips Lighting UK
Piscatorial Society
Poole Harbour and Stour Catchment partnerships
Poole Lighting Ltd
Port of London Authority
Portsmouth Services Fly Fishing Association
Portsmouth Water
Potters Close Ltd
Principal lighting ltd
Public Health England
RDAA fishing club
REA - Renewable Energy Association
Reading & District Angling Association
Recolight
RENE AG
Renewable Energy Assurance Ltd

REPIC Limited
Ribble Rivers Trust
River Brent Catchment Partnership
River Chess Association
River Idle Catchment Partnership
River Nene Regional Park CIC, host of the Nene Valley Catchment Partnership
River Thames Conservation Trust
RSPB
RWE Generation UK
Salmon & Trout Conservation West Yorkshire Branch
Salon UK Ltd
Savernake Fly Fishers
Secretary, Colne Valley Fisheries Consultative
Secure IT Disposals Ltd
Sekisui Diagnostics
Severn Rivers Trust
Severn Trent Water - Water Industry
Shell
Shropshire Wildlife Trust
Silverwoods Waste Management Ltd
Skipton Angling Association
Sky UK Ltd
Smith and Sons (Bletchington) Ltd
Smith's Waste management
Society of Motor Manufacturers and Traders
Somerset Catchment Partnership
Somerset County Council
Somerset Farming and Wildlife Advisory Group
South Chilterns Catchment Partnership
South Downs National Park Authority
South East Rivers Trust
South West Flood Risk Managers Group
South West Water Ltd
South Yorkshire branch of Salmon and Trout Conservation UK
Southern Water
Southport Fly Fishers
Sowerby Angling Society

Speciality Steel UK Ltd
SSE
St.Neots Rowing Club
Stericycle group of companies
Stevenage Borough Council
Stobart Energy
Stockton-On-Tees Borough Council
Stroud Valleys Canal Company
SUEZ Recycling and Recovery UK Ltd
Sunbury Junior regatta
Surface Engineering Association
Surrey County Council
Swallowfield Fishing Club
Swallowfield Flood Resilience Group
Syngenta Ltd
Tank Storage Association
Tarmac
Tata Steel and the Landfill Regulation group
techUK
Tees Rivers Trust
Teme Catchment Partnership, c/o Severn Rivers Trust
Templeborough Biomass Power Plant Ltd
Test and Itchen Association
Test Valley Trout Ltd
Teucer UK LTD
Tewin Fly Fishing Club
Thame Angling Club
Thames 21 (Maidenhead to Teddington Catchment Partnership)
Thames Rivers Trust
Thames Water Utilities Ltd
The Aire and Calder Catchment Partnership - a Catchment Host
The Angling Trust
The Association of the British Pharmaceutical Industry
The Blackwater Valley Countryside Trust
The British Beer & Pub Association
The British Hydropower Association
The Brock Metal Company Ltd
The Canal & River Trust

The Coal Authority
The Company of Proprietors of the Stroudwater Navigation
The Confederation of Paper Industries (CPI)
The Cotswold Canals Trust
The Countryside Management Service at Hertfordshire County Council
The Environment Trust
The Environmental Services Association (ESA)
The Gt. Ouse Boating Association Ltd
the Impress the Chess Partnership
The Isbourne Catchment Group
The Kennet and Avon Canal Trust (KACT)
The Lamp Company Ltd
The Maltings Organic Treatment Ltd
The River Restoration Centre
The Rivers Trust
The Sanitary and Medical Disposal Services Association (SMDSA)
The Trent Rivers Trust
The Watch Estate Fishery
The Welland Rivers Trust
The Welland Valley Partnership
The Wild Trout Trust
The Wildlife Trusts (TWT)
The Woodhorn Group
Thornton Beck Fly Fishers
Thornton Beck Fly Fishing Syndicate
Thurrock Council
Tichborne Fishing Syndicate
Timsbury Fishery
Torbay Council
Toshiba Europe GmbH
Town & Manor of Hungerford (riparian owner / charity / fishery owner)
Trade Effluent Services Ltd
Treatt PLC
Tudor Farms
Tweed Forum
UK Chamber of Shipping - Trade Association for Ship-owners in Commercial Shipping
UK Environmental Law Association - UKELA

UK Onshore Oil and Gas
UK Petroleum Industry Association
UK Power Networks
UK Power Reserve
UKLPG
Union Canal Carriers Ltd
Uniper UK Limited
UNISON
United Utilities - Water Industry
Upper Stour Syndicate
Upper Thames Fisheries Consultative, Evenlode Catchment Partnership
Upstream Dry Fly Fishing
UROC
Valpak Limited
Vehicle Recyclers Association
Veolia UK
Viridor
Warwickshire County Council
Watlington Environment Group
Wear Anglers Association
Wear Rivers Trust
WEEE Scheme Forum
Wessex Water Services Limited
West Cumbria Rivers Trust
West Somerset flood group
Westcountry Rivers Trust
Whites Recycling Ltd
Whitewater Valley Preservation Society
Wildfowl and Wetland Trusts
Wildlife & Countryside Link (represents several large NGOs)
William Tracey Ltd
Willow Brook Flyfishers
Wiltshire Fishery Association
Wiltshire Wildlife Trust
Wood Recyclers' Association (WRA)
Woodland Trust
World Fuel Services

X-Press Boat Club
Yorkshire Water
Zoological Society of London

# Annex 3 Further analysis of the impacts of the charging proposals on barriers to entry and on small businesses - February 2018

## 1. Introduction and key findings

In order to understand the potential impact of our charging proposals for the Environmental Permitting Regulations we have conducted an impact assessment in two stages: the first high level impact assessment looked at the impacts for the sectors that we regulate as a whole and at typical firm level impacts. The second part of the analysis looked in more detail into the impacts for small companies (less than 50 employees) and the impacts on barriers to entry. The key findings of our analysis are summarised below:

- At a sector level the changes in our proposals will not have a significant impact, with charges representing less than 1% of the turnover for all the sectors that are paying for the EPR regimes.
- At a typical firm level the initial results were more uncertain. The EPR regimes cover a wide range of sectors. For most of the sectors, our initial analysis showed that the increases in the charges are not going to have a negative impact. For some sectors, however, where there is a large concentration of SMEs, impacts could be considered possible. These sectors included: waste (landfill, waste treatment, non-hazardous, biowaste and metal recycling) intensive rearing pig and poultry, metals, paper and textiles, agriculture and manufacturing.
- We analysed these sectors in more detail and found little evidence of significant impacts on small businesses. The detailed analysis focused on small companies (less than 50 employees) and on the largest increases. In order to assess impacts we used Companies House data to calculate our charge as a percentage of the companies' turnover. We have found very few small companies facing negative impacts (around 0.2% of all companies). We consider that a company will face negative impact when the charge is >0.5% of the turnover. There was a group of small companies for which financial information is not available and the impacts are therefore unknown. We estimate this group to be between 3% and 5% of the total for the highlighted sectors.
- Our review of the market conditions and performance of the sectors in the EPR regimes has concluded that the increases in our charges will have no significant impact on barriers to entry for the sectors we regulate.

The rest of this document presents the detailed analysis of the impacts and an overview of the barriers to entry review.

## 2. Barriers to entry

There has been no recent impact assessment work into the potential impact of the charging proposals on new entrants to the sectors we regulate. In order to gain a better understanding we have conducted a review of barriers to entry, competition and concentration levels, market share and performance of the major players in the sectors we regulate.

Information has been gathered from the IBIS World UK Industry Reports on 30 segments of the sectors under the EPR regime (water supply, sewerage, waste management remediation; manufacturing; electricity, gas, steam and air conditioning supply; agriculture).

Among the sub-sectors analysed, barriers to entry are low in the textile weaving and finishing and waste sectors, although barriers are increasing in the waste industry. Barriers are medium in the chemicals, agriculture, and metals sectors. Barriers are high in all the other sectors, and particularly expected to increase in the petroleum refining manufacturing and decrease in electricity supply and renewable energy generation.



In most of the sectors reviewed, the main barriers to entry are the competition against well-established dominant players and the high capital requirements, whereas regulation, although affecting most sectors, is of minor relevance. Specifically, environmental regulation is a barrier only in certain segments of the metals sector. Among the segments of the energy sector, environmental regulation is a major barrier to entry only in the nuclear fuel processing sector, which is justifiable for safety reasons. Environmental regulation is a minor barrier to entry in the following segments:

- iron and steel manufacturing
- precious metal production
- aluminium production
- lead, zinc and tin production
- other non-ferrous metal production

However, all these segments have other major barriers to entry, such as high start-up costs, vertical integration among existing participants, and revenue volatility, which play a greater role in discouraging potential entrants.

### **Intensive Pig and Poultry**

The application charges for the Intensive Farming sector are increasing significantly. We therefore looked specifically into the market conditions in the sector in order to understand whether the increases are likely to discourage new entrants to the market.

The Intensive Rearing sector has a low but increasing concentration level with the top 4 companies estimated to account for 38% of revenue. The level of competition in the sector is medium.

The current barriers to entry are considered to be medium but increasing. It is a fairly heavily automated industry, where new entrants need to make significant investment into capital equipment and building infrastructure. Indicative costs for setting up a new broiler and a new unit would be about £25-30 per square foot. A broiler unit of about 300,000 birds would be about 150,000 square feet dependent on growing profiles. So that would mean start-up costs of around £4 to 4.8 million. Our application charge (approx. £8,000) is a very small percentage of these costs.

In addition, new entrants will face competition from dominant established major players and the heavy investment they have made in relationships with retailers. They may therefore find difficulties in obtaining supply contracts.

Therefore we concluded that the increase in our charges will have a minimal / no impact on new entrants.

### **Conclusion**

Our review has concluded that our proposals would not have a significant impact on barriers to entry for the EPR sectors because the sectors that are most likely to be affected are also characterised by high start-up costs, revenue volatility, and concentration with low competition, which play a greater role in preventing potential entrants from entering the market.

## **3. Impacts of charging proposals on SMEs: regime level**

We identified a number of sectors where there is a high concentration of SMEs. It is possible that these are the companies that may face the biggest impacts from charge increases.

We have done some further analysis to identify some of these companies in order to understand the impact of the charges on their turnover. We have focused the analysis on the companies that are facing the biggest charge increases in terms not only of percentages but of actual amounts (£). For the purposes of this analysis we have focused on the smallest companies only (with less than 50 employees) as these are the ones that are likely to experience the negative impacts.

In order to assess the significance of the impacts we have used company turnover and gross profit data (where available).

Indicative reference values			
Annual costs relative to:	Low	Moderate	High
Turnover	<0.5%	0.5-5%	>5%
Gross Profit	<10%	10-100%	>100%
<b>Source: Based on Vercaemst (2002) and as discussed in RPA (2015)</b>			

## Methodology

We have looked at a sample of permits from the categories with the largest increases. The following were excluded from the sample:

1. Known large companies (for example, Biffa, Tata, Veolia)
2. Local authorities and other known, larger organisations (for example, National Trust, British Waterways)
3. Individuals: when a permit was against a name and not a company, ie 'John Smith' not 'John Smith Ltd', this licence was excluded from further analysis. These are most likely individuals but even if some are micro-companies we would not be able to find any financial information since they do not declare this in the same way as registered companies.

We then selected a sample from the remaining permits. As mentioned before, this analysis focuses only on the small companies with less than 50 employees. Information on size, turnover and gross profit was collected (from Companies' House).

We identified 4 types of companies:

- No impacts: Companies that will face no impacts either because they are too big or have been dissolved or dormant
- No Impacts small companies: Companies that are small (< than 50 employees) but their turnover is high enough for them not to face any negative impacts from the charge increases, i.e. the charge is < than 0.5% of their turnover
- Impacts unknown: Companies that are small or micro-companies, but we have found no financial information in order to calculate the impacts. This is because some<sup>1</sup> companies are exempt from publishing their detailed accounts, therefore information on turnover and profit is not available
- Impacts known: Companies that are small or micro-companies and we were able to find information on their turnover. We have found that the charge will be > 0.5% of their turnover and therefore we conclude that there will be a negative impact

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<sup>1</sup> The definitions used for small companies' exemption are: A company is 'small' if it has 2 of the following: a. turnover <£10.2m, b. £5.1 million or less in the balance sheet and c.50 or less employees. A company is a micro entity if it has 2 of the following: a. turnover <£632,000, b. balance sheet>£316,000 or c. <10 employees.

The data that we used for this analysis refers to subsistence charges, not applications. Subsistence charges are a better indication of impact as they are an ongoing charge as opposed to a one-off application charge.

### 3.1 Waste

The waste sector has been identified as one of the sectors where impacts on SMEs may be significant. We have looked at the charging data for the sector in order to identify which companies are facing the biggest charges and how they are likely to be affected.

The total number of permits is 8,515.

The table below provides an overview of the findings:

Analysis of the results				
	In the sample		In the categories	
	Number	%	Number	%
No impacts (charge < 0.5% of turnover)	133	61%	581	30%
No impacts (charge < 0.5% of turnover) small companies	18	8%	104	5%
Impacts unknown*	63	29%	321	17%
Impacts known	6	3%	16	1%
<b>Companies facing known impacts in the whole regime</b>			<b>0.2%</b>	

Overall we have found that the increases will have no impact for around 35% of the companies. The impacts are unknown for 17% of the companies and only 1% (16 companies out of 1926) will experience a negative impact. This means that across the whole of the Waste regime around 0.2% of the companies will be facing negative impacts.

### 3.2 Installations

The EPR Installations regime is complex and covers many sectors. Even though overall charges are decreasing for the regime, the high level impact assessment identified some sectors where impacts on SMEs may be possible. We have looked at the charging data for the sector in order to identify which companies are facing the biggest charges and how they are likely to be affected.

The high level impact assessment of the Installations regime showed that a number of the sectors are very unlikely to face negative impacts from the charge increases mainly because of the size of the companies in these sectors but also because the charges for these sectors would be decreasing.

In order to focus our analysis we decided to exclude these sectors from the sample in order to focus on the sectors we know are more likely to face negative impacts, such as waste and metals.

The sectors we excluded from the analysis are: Chemicals, Cement and Minerals, Combustion, Onshore Oil and Gas, and Refineries and Fuel. The results of the analysis are summarised in the tables below.

Analysis of the results				
	In the sample		In the categories	
	Number	%	Number	%
No impacts (charge < 0.5% of turnover)	105	55%	189	19%
No impacts (charge < 0.5% of turnover) small companies	37	19%	63	6%
Impacts unknown*	53	28%	86	8%
Impacts known	5	3%	8	1%
<b>Companies facing known impacts in the whole regime</b>			<b>0.3%</b>	

Overall we have found that across the categories with the biggest increases, the increases will have no impact for around 25% of the companies. The impacts are unknown for 8% of the companies and only 1% (8 companies) will experience a negative impact. This means that across the whole of the installations regime around 0.3% of the companies will be facing negative impacts.

### 3.3 Water

Approximately 75% of the Water Quality charging income is recovered from the 10 statutory water and sewerage undertakers operating in England. This would increase slightly under the proposed charges scheme.

Water and Sewerage Companies (WaSCs) own and operate the majority, around 65%, of our current chargeable permits. These include some water only companies who operate water treatment sites and infrastructure. A remainder, totalling around 14,000 permits, are owned by a broad group of companies and individuals. This analysis excludes the Water companies and focuses only on the 14,126 non-WaSC permits. The methodology followed here is similar to the other regimes. However, there is something unique about this dataset in that a very large number of permits had to be excluded from the sample because the name of the licence holder was just a name of an individual and not a company. This was the case for the other regimes as well, but for water a very large part of the data (almost half) had to be excluded. It is likely that most of these permits belong to individuals / householders and therefore fall outside the scope of this analysis. However, some small companies or farmers may be included. We have no way of finding out who these are or any financial information so these names were excluded. The results of the analysis are summarised below:

Analysis of the results				
	In the sample		In the categories	
	Number	%	Number	%
No impacts (charge < 0.5% of turnover)	100	59%	1129	21%
No impacts (charge < 0.5% of turnover) small companies	7	4%	47	1%
Impacts unknown*	62	37%	758	14%
Impacts known	0	0%	0	0%
<b>Companies facing known impacts in the whole regime</b>			<b>0.0%</b>	

Across all the categories of increases we have found no companies that will be negatively affected by the increases in charges. We found no impacts for 22% of the companies in all categories and

unknown impacts, i.e. companies that we know are small but have no information, for 14%. There are a large number of exclusions in this sector which account for the remaining permits.

#### 4.1 Additional analysis

Section 3 provides a detailed assessment for the Waste, Water and Installations regime. We have carried out additional analysis for Intensive Rearing Pig and Poultry sector and the FCRM (flood and coastal erosion risk management) regime. Because of differences in the data used these are presented separately.

#### 4.2 Intensive Pig and Poultry

We have carried out additional analysis of the Intensive Farming sector to address concerns raised by stakeholders during the consultation. The above analysis for the installations regime doesn't raise any significant impacts for the Pig and Poultry sector. This is because the analysis is based on subsistence data, and overall subsistence charges for the sector will decrease. However, application charges and charges for variations will increase substantially and we have done some further work to understand these possible impacts. The increase in application charges is a question addressed under the barriers to entry section, but we have looked at the licence data to assess the impacts of increases in variation charges.

Total permits for the Pig and Poultry sector are 1,259, 1,046 for Poultry and 213 for Pigs. There are many licence holders (companies or individuals) holding more than one licence, especially in the Poultry sector. This analysis looks at all licence holders in the sector even though the only possible impacts are for the companies that will be applying for variations. On average we get approximately 200 variations per year, so usually only around 16% of total permits are facing potential impacts in any given year.

Following consultation, the revised charging proposals now include a reduced variation charge for a streamlined BREF review for this sector. This maintains the previous charge rate, hence the proposals represent no change in affordability.

The increases in variation charges range from approximately £2,000 to £7,000. For the purpose of this analysis we looked at the impact of the highest increase (£7,000) on the companies.

The results are presented below:

	Pig	Poultry	Total
Number of licences	213	1046	1259
Multiple licences removed	53	518	571
Sample	160	528	688
Excluded (no info)	51	81	132
Remaining	109	447	556
<b>Results</b>			
<b>Sample</b>	<b>50%</b>	<b>15%</b>	<b>Total</b>
Sample size	55	67	122
Not found	8	4	12
<b>No impacts (charge &lt; 0.5% of turnover)</b>	11	26	37
<b>No impacts (charge &lt; 0.5% of turnover) small companies</b>	11	6	17
<b>Impacts unknown</b>	25	31	56
<b>Impacts known</b>	0	0	0

Analysis of the results				
	In the sample		In the sector	
	Number	%	Number	%
No impacts (charge < 0.5% of turnover)	37	30%	195	16%
No impacts (charge < 0.5% of turnover) small companies	17	14%	62	5%
Impacts unknown*	56	46%	257	20%
Impacts known	0	0%	0	0%
<b>Companies facing known impacts in the whole regime</b>			<b>0.0%</b>	

The results show that there will be no impacts for 21% of the companies in the sector and the impacts are unknown for 20% of the companies, which we know are small, but we were not able to find their financial information. We have found no certain impacts. As mentioned above, this analysis refers to the whole sector, whereas only 16% of the licence holders apply for a variation in any given year.

### 4.3 FCRM

The initial impact assessment concluded that groups that are likely to face the bigger impacts in the FCRM regime are individuals and SMEs who regularly carry out small scale works. These groups account for the majority (70%) in the categories with the largest increases.

To understand a little bit more around these companies we looked at the list of licence holders that are listed as SMEs. The total number of permits in this category is 641 and the charges range from £68 to £373.

As with the rest of the regimes the 641 permits were reduced by removing duplicates, £0 charges, individuals, permits where no information on the holder was available etc. The remaining companies were 229.

Just over half the companies will be paying an increase of £50 or less. This is not considered to be significant. We have looked at the companies that are paying the highest increases and we have found them to be mainly construction companies with large turnovers and therefore are not going to be negatively affected.

### 5.0 Summary of findings and conclusions

Our detailed review of the EPR sectors has concluded that there are no significant impacts from the increases in our charges. From our previous work we already knew that at a sector level, the charges will not have any impact. However, there was an indication that in some sectors, the increase in charges may contribute to increases in barriers to entry and / or affordability concerns for individual companies (especially SMEs).

Our review and detailed analysis have concluded that this is not the case. A very small number of companies for which the charges are likely to be unaffordable has been identified (overall 11 companies). Uncertainty remains due to the lack of financial information on a large number of small companies who do not publish their turnover and the exclusion of a large number of permits as unidentifiable, overall we are confident that our analysis uses the best available information.

## Annex 4 Extra narrative on make-up of charges

The consultation document section 2.6 presented the types of costs making up our charges in a diagram summarising our charge model, with some further information on each provided subsequently. We will expand on them here.

### 4.1 Direct costs

Our direct costs comprise of direct people costs, direct non-people costs and operations management and support. The vast majority of the costs are direct people costs.

The direct people costs comprise primarily of the staff costs of our people who are engaged in carrying out our regulatory activities. The majority of the staff costs are their salary, employers' national insurance, employers' pension contribution and also include some ancillary costs such as travel and subsistence.

The direct non-people costs are made up of administration, local building costs, fees and commissions, variable consumption IT, insurance, transport and plant, and utilities. Further information on these is provided below:

- administration costs – stationary, publications, paper
- local building costs – cleaning, maintenance and repairs, catering, security, office waste
- fees and commissions – contract payments, solicitor fees, agents' fees, professional fees
- IT – electronic consumables, data communications, voice communications
- insurance – premiums, accident and theft repairs, uninsured liabilities
- transport and plant – hire and repair
- utilities – telephone, mobiles, electricity, gas, water, rates
- other costs – postage, printing, fuel, protective clothing, laboratory services, local equipment

Operations management and support costs are the costs of the people who line manage and supervise the people engaged in carrying out regulatory activities. Our hourly rate charge model assumes a ratio of one manager or team leader to ten people engaged in carrying out regulatory activities. We seek to achieve a balance between not having too many layers of management with ensuring staff doing regulation have sufficient leadership and support, including access to professional judgment in doing their regulation.

### 4.2 Indirect costs

#### **Nationally delivered support**

Our nationally delivered costs are made up of:

- direct delivery of regulation from centralised teams
- teams whose work underpins the direct delivery of regulation
- functions that enable the direct delivery of the regulation

Approximately half of the nationally delivered support is through the Environment and Business directorate, which includes both the direct delivery of regulation and the teams whose work underpins the delivery. The other half is made up of functions enabling delivery, such as:

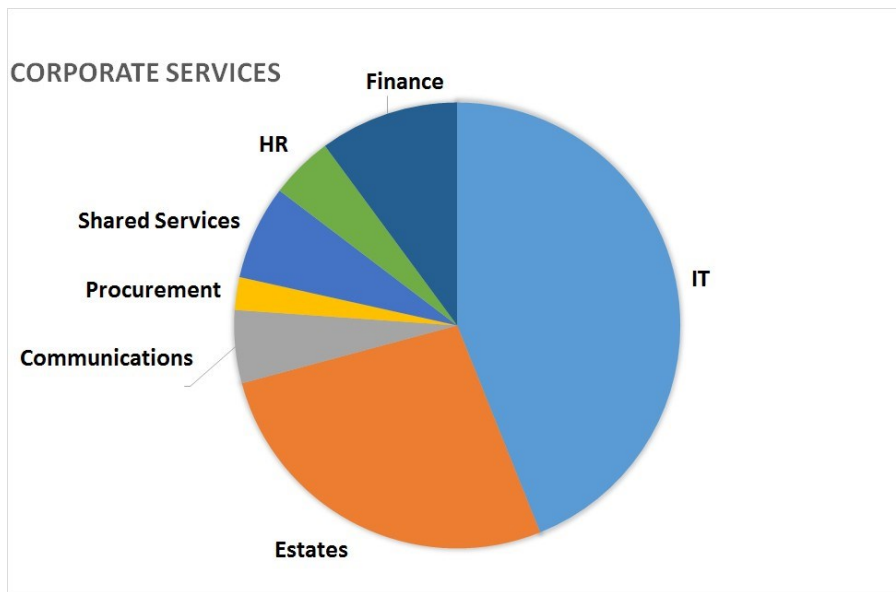
- evidence teams which ensure high quality scientific and other information is available to regulate effectively
- legal services which ensure we regulate in line with the law
- fleet operations which ensure our people have the vehicles they need to conduct their regulation
- learning and development costs which are an investment to keep our people technically qualified

- health, safety and wellbeing which ensures our people carry out their work in a manner that keeps them and the public safe
- internal audit
- projects to enhance the effectiveness of our operations

**Corporate Services**

Corporate services form the backbone of any organisation. The chart below provides more information on the make-up of our corporate services costs within our charges. As of November 2017 the Environment Agency’s corporate services are procured from Defra as part of a transformation programme to deliver greater efficiency for the Defra group from 2015 to 2021.

The corporate services enable the Agency to operate by providing critical IT systems, HR and Finance support, facilities management, procurement, and communications.



**Information Technology (IT)**

The Environment Agency employs approximately 10,000 staff located in 143 depots and offices throughout England. All of our people, irrespective of where they are based, require access to modern and fast IT systems and services to do their jobs effectively and to deliver great environmental outcomes. Real time access to information in the field is critical. Our staff have modern mobile devices, access to fast and reliable telecommunications systems and geospatial mapping technology to present information in a way that can be immediately understood, acted upon and shared with others.

We generate and consume huge amounts of data in the course of our work. With our suppliers, we’ve developed and operate a large number of IT applications to store, retrieve, analyse, model and report on data that we turn into valuable information to underpin our operational decisions. Many of our IT systems are accessed directly by the public from the GOV.UK website and we have an ongoing programme to develop systems that will help share information and make doing business with us simpler.

Cyber Security is more important now than ever before, not just for us, but for the economy as a whole. We have an ongoing and extensive programme of investment in our IT infrastructure, computer application systems and cyber security controls to minimise our risk. Some of our IT systems are critical to help protect people and communities from harm. We have extensive IT contracts and business continuity arrangements in place for these that require our contractors to meet some of the highest service levels in the industry in terms of system reliability and performance.



The organisation relies on its ICT systems and services to deliver its outcomes. These include the technology staff use daily as well as external services such as licencing and permitting. The IT function is made up of:

- Service operations - responsible for the end-to-end integration and management of our IT services, managing suppliers and maintaining our IT security.
- Digital services - transforming systems, platforms, ways of working and skill sets so that we meet the needs of citizens. This includes defining our digital strategy, and designing, developing and supporting our digital services.
- Data services - responsible for managing, sharing and getting the most from our data, including the platforms and tools. This includes setting our data strategy, introducing appropriate policies and governance, enabling an open data culture and maximising how we use data to work in a coordinated manner with customers.
- Architecture and standards - responsible for the technological architecture within which all of the systems, platforms and networks operate. This includes ensuring compliance with relevant legislation, setting policies, keeping pace with new technologies and managing the technical aspects of our ICT security.
- Change and governance - responsible for professional management of IT people and delivery of services. This includes assuring the broad portfolio of programmes and projects that keep our IT current and supported, managing the demand and pipeline of initiatives that lead to future portfolios and overseeing our internal governance (including risk management).
- Knowledge and information management - responsible for keeping the organisation compliant and efficient in how it creates, stores, shares and exploits information internally and externally. This includes compliance with the Data Protection Act, Freedom of Information Act and the Environmental Information Regulations, including casework, policy leadership and regulator relations. Also managing record keeping, a knowledge sharing IT platform and ensuring compliance with the Public Records Act.

## **Estates**

The facilities management team ensures our property portfolio of offices, depots and laboratories are safe, well-maintained, legally compliant and productive workplaces for our staff and business operations. We group our offices via 27 geographic hubs with each hub having a small team of operational staff. Within the team there is a range of grades dependant on the number and complexity of offices or depots in the hub and how many customers are based in those offices. The primary role is to provide direct soft service support, to act as intelligent client for bought in service lines and to ensure all aspects of security, business continuity, safety and legal compliance are delivered. The operational teams also deliver a sizeable project portfolio either as part of maintenance programmes or strategic project activity. A technical team provides support to the operational teams in 5 key areas which are property standards and energy management, legal compliance, contract support, business management and project and programme support.

## **Finance**

Finance provides professional advice, financial strategy and integrated business planning. Finance has a significant role in decision making. It provides focus on priority outcomes and value for money, through financial controls, setting budgets, making forecasts, and managing the year end. It produces the annual report and accounts and ensures a successful audit by the National Audit Office, and ensures compliance with rules set by HM Treasury. It ensures that costs are properly allocated against the appropriate charging scheme.

## **Shared Services**

The Agency's transactional processing of Finance, HR and procurement activities is outsourced to Shared Services Connected Limited (SSCL). SSCL carry out tasks like processing new joiners, payroll, paying suppliers and chasing customers for payment.

## **Communications**

Communications help the Environment Agency deliver its regulatory policy and delivery priorities, build a positive relationship with partners and lead an engaged and motivated workforce. This includes essential staff engagement advice and support for the leadership as the organisation goes through a period of unprecedented change. It plays a key role in driving and embedding changes to ways of working and shifting culture to improve performance. The team work to make sure all staff are aligned to our goals and change agenda.

## **Human Resources (HR)**

HR:

- Our regulatory work depends on our people and the HR team help to ensure that they are properly prepared to undertake their work. Develops and maintains a best practice people policy. Manages trade union relationships and employee pay, benefits and pensions for all staff. It provides expert advice for learning and development, including leadership development, talent management and supporting a culture in which our people want to learn and develop professionally.
- Manages the workforce strategy and related risks. It supports the organisation to identify how current and future resourcing needs can be met and supports leaders to achieve this. It provides the people information and analysis to support leaders in making sound risk based decisions on all people matters.
- Provides organisation design (ensuring efficient operating models and organisational structures).
- Delivers business partnering to develop integrated solutions with the organisation and provide strategic professional support that aids our people leaders to deliver the right outcomes. During periods of change (including EU exit activity) business partners act as change agents.

## **Commercial**

The Defra group Commercial function provides a range of expert commercial and procurement advice and support to delivery. It enables the Agency to set up and foster supplier relationships, manage commercial risk and get value from the substantial procurement via our supply chain. The function leads: tendering and commercial negotiations; supplier management and development to leverage more value; and commercial contract and project assurance. It sets up overarching frameworks and contracts for the common goods and services our people need every day. This includes: contracts enabling capital works and maintenance; facilities management; advisory services; fleet provision and management; permanent and temporary staff; training and development; communications and office supplies.

### **4.3 Fixed costs**

The fixed costs are a small component of the total charge and are specific to each regime. They are predominantly related to IT systems that are used to support the regulation. Some are locally paid direct to the supplier. Others represent the operating cost of a recently developed system where under a new approach such costs are no longer recorded within the IT function but costed to the cost centre which commissioned it.

The charges for water quality, waste and installations applications also include a fixed cost for a charge from Natural England where we use their services for work on habitats assessments on sensitive locations. This is a supplementary charge across all regimes if the activity is taking place in a sensitive location.

### **4.4 Bad debts**

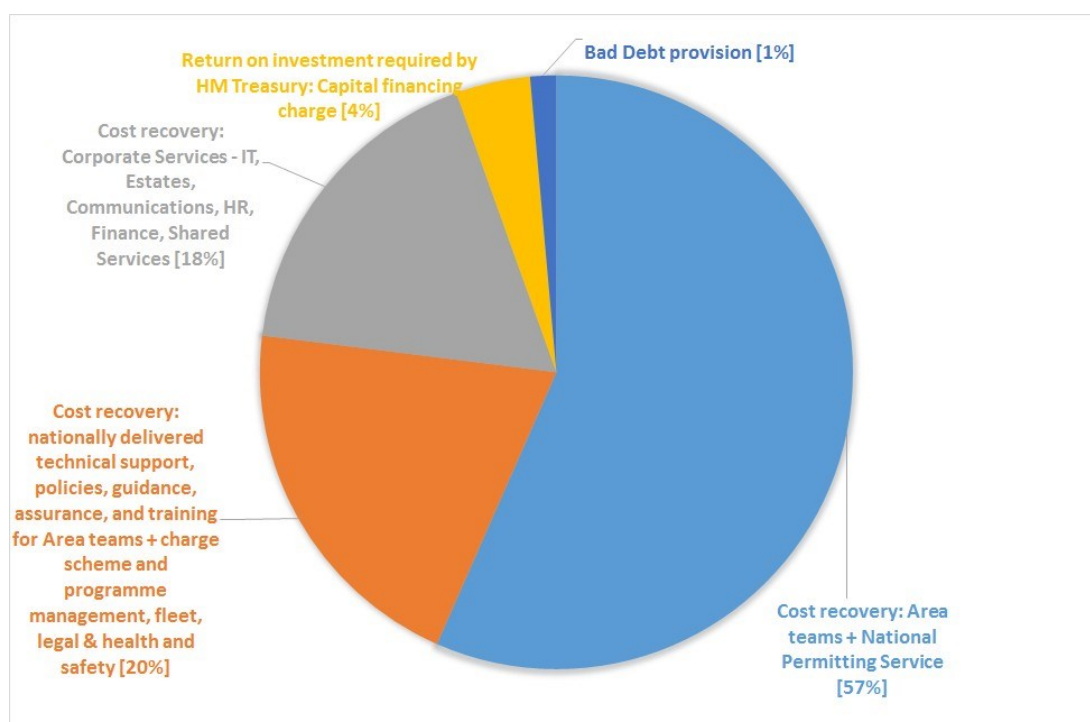
Unlike businesses in the private sector the Agency is not allowed to choose its customers based on an assessment of perceived credit risk. This does mean that bad debts are higher than would be expected in the business world on those schemes which have a wider range of customers. Several schemes, however, have no bad debts.

## 4.5 Cost of capital

The financing cost applied in our charges reflects the requirement set by HM Treasury in Managing Public Money for a rate of return of 3.5% of the value of fixed assets, plus the cost of depreciation of those assets. More information on why this is charged can be found in [section 6.1 of HM Treasury's Managing Public Money](#).

## 4.6 A more detailed breakdown of the proportion of direct and indirect activities and costs

The consultation document provides a high level summary of the make-up of our costs and we are happy to expand on this below. It referred to a typical breakdown of our costs for each regulatory regime. There is very little variation from regime to regime in terms of the make-up illustrated in the chart. The direct cost proportion for all environmental protection charges is within a range of from 53% to 60%<sup>2</sup>. The proportion that is nationally delivered support ranges from 18% to 20% and the corporate services proportion from 16% to 18%. The variation on bad debts is from 0% to 4%<sup>3</sup>. Meanwhile the return on investment in assets proportion varies from 2% to 7% on most schemes<sup>4</sup>.



This make-up of our costs can be benchmarked with peer regulators. Natural Resources Wales is a Welsh Government sponsored body, which was formed in 2013 from a merger of the Countryside Council for Wales, Environment Agency Wales, and the Forestry Commission Wales. It is therefore a similar regulator to the Environment Agency, with a different range of responsibilities. It may provide useful comparison for the relative expenditure in percentage terms of both non corporate service indirect costs and corporate services. Its last annual report includes a breakdown of expenditure by directorate. This suggests that the relative mix of expenditure between those that are direct (Operations directorates) and indirect (the rest) is very similar to the Environment Agency's mix as shown in the charge breakdown above.

<sup>2</sup> The Flood Risk Activity charge has a higher direct cost proportion of 70%, with a lower nationally delivered support proportion of 11%.

<sup>3</sup> All applications charges have 0% bad debts because we require up-front payment with the application. Bad debts only apply on subsistence charges on some schemes. The highest is on EPR waste.

<sup>4</sup> The small emissions trading scheme for industry and aviation has a higher proportion (11%) of the charge made up of financing costs than other regimes due to major scheme specific assets.

NRW's corporate services costs appear to be 20% of the total. This is slightly higher than the Environment Agency's 16 to 18%. NRW's indirect costs that are not corporate services appear similar to but slightly higher than the Environment Agency's 18 to 20%.

## 4.7 An understanding of how this may vary by charge

### How indirect costs are included in charges

- As noted in the consultation document, the Environment Agency raises charges on a full cost recovery basis in accordance with HM Treasury rules. A charge is therefore made up of both direct and indirect costs.
- Direct functions, whether delivered via local or national service delivery, exist to deliver the specific activities required for one or more identifiable charge scheme. Their costs are therefore attributable directly to the related source of income. Indirect functions exist to support the whole Environment Agency business, and cannot easily be allocated directly back to specific sources of income.
- All charges must make a fair contribution to indirect costs. In order to do this, indirect costs that cannot be specifically allocated to a source of income, are apportioned across all funding streams (both charges and grant-in-aid) using total direct revenue expenditure as the cost driver.
- The apportionment of indirect costs across funding streams is calculated each year during the planning process. This means, for example, the benefit of efficiency savings in indirect functions is shared proportionally across all funding streams. Similarly, the indirect costs incurred by a particular funding stream stay proportionate if the funding stream is either in growth or is in decline.
- A benefit of the approach taken is that it facilitates consistency of charges for customers. The alternative can lead to material fluctuations in the costs recovered by scheme.

## 4.8 More information to consider the relative efficiency of the Environment Agency's costs

### Overall comments

Since 2010-11 only two charge schemes have had charge increases, which have been modest and were required to cover external costs contractually linked to inflation increases. Overall our charges income has increased by approximately 1.5% from 2011-12 to 2017-18 while cumulative inflation in the period has been approximately 15%. During this same period the Environment Agency has had its grant in aid for environment and business activities reduced from £142 million to £50 million. Moreover approximately £20 million of this grant in aid has since 2015-16 been 'ring fenced'. In a context of having kept the same responsibilities in regulation and since 2005 having also absorbed 135 new duties, this means the Agency has overall increased its productivity and efficiency, although we have also reduced the amount of regulation. The increase in charges will therefore enable us to deliver more activities to better regulate. The increase in efficiency has been achieved by a wide variety of means, some of which are noted below.

### Direct costs

Some consultation responses requested more information on our efficiency including comparison to peers. The most difficult component of our costs to benchmark is our direct delivery cost. This is because it is difficult to find an equivalent or meaningful peer to the Environment Agency as a result of its range of responsibilities and geographic scope requirements. In England there is no other non-delegated public body of a similar size with similar regulatory duties. Other regulators regulate different activities in different ways. The organisations most comparable to the Environment Agency are the Scottish Environment Protection Agency (SEPA), Natural Resources Wales (NRW) and the Northern Ireland Environment Agency. Any comparisons with these bodies can only be done in a very crude manner using the information available in annual reports, and will

be without a full understanding of differences between the bodies. There will be many reasons for variations between these UK environmental regulators.

In its last annual report SEPA reported having 1,243 employees. As well as doing environmental protection activities, SEPA is Scotland's national flood forecasting and flood warning authority and the strategic flood risk authority. It is however not responsible for implementing and maintaining flood protection actions, with local authorities having primary responsibility for inspecting, clearing and repairing watercourses to reduce flood risk. This means it appears as if the scope of responsibilities may be less wide in nature compared to the Environment Agency in England. The Environment Agency reported 10,618 employees which is nine times the full time headcount of SEPA. The population of England is ten times that of Scotland. This benchmarking is very crude however, it may be of some use in considering relative efficiency.

Unlike SEPA, NRW seems not to be a realistic comparator for a similar crude benchmark of headcount and population served because as noted above it is the result of a merger of the Countryside Council for Wales, Environment Agency Wales, and the Forestry Commission Wales. This means it has a considerably wider scope than the Environment Agency. It would be largely comparable to the sum of the Environment Agency, Natural England and the Forestry Commission. NRW had 1,855 full time equivalent employees in 2016-17. The population of England is eighteen times that of Wales.

The median salary per full time equivalent person of NRW in 2016-17 was £28.2k per annum, for the Environment Agency it was £31.7k and for SEPA it was £31.1k. Average salaries across the UK are higher in some English regions than in Scotland and Wales.

The Northern Ireland Environment Agency has not published an annual report for the last financial year<sup>5</sup> so no comparison is made to information that may be less relevant.

In 2014-15 a major restructuring was delivered which reduced the management of the organisation, particularly in the Operations component which does the direct delivery of regulation.

The Agency was rationalised from a 'three tier' body to a 'two tier' body with the removal of regions. We now have solely the National and Area management layers. As a result national activities now link more directly with frontline delivery. By removing a regional management tier we have saved money and streamlined how our people operate. This is now a slicker organisation delivering government objectives more efficiently in local communities.

In 2016-17 the Agency absorbed a 2.5% increase in employers' national insurance as a result of a change in taxation law relating to exemptions for employees in the LGPS<sup>6</sup>.

We have a continuous improvement team which supports all parts of the business in developing more efficient ways to regulate, and is recognised across central government as a leader in this area.

## **Indirect costs**

### **Nationally delivered support**

As part of previous transformation programmes designed to reduce expenditure, increase efficiency and consistency, a substantial portion of environment and business (E&B) technical support was centralised by removing them from regional and area teams. This means they moved from being costs classified as direct to costs classified as indirect. The work they do is the same and has an operational nature.

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<sup>5</sup> <https://www.daera-ni.gov.uk/publications/northern-ireland-environment-agency-annual-report-and-accounts>

<sup>6</sup> This efficiency was delivered by the whole Agency, not just in its direct costs. However since the majority of the Agency's expenditure is in its Operations directorate it is here that the majority of the cost arose. This was a permanent increase in unit labour cost, without any corresponding reduction in delivery requirements.

E&B teams have sought to achieve more with less funding through working more efficiently and developing innovative solutions. Some examples include:

- taking risk based decisions on regulatory activities, such as reduction of inspection frequencies for small dischargers
- moving into operator self-monitoring (expanded on below)
- streamlining of permitting systems and simplification of our guidance

### *Operator Self-Monitoring*

We developed a more risk-based approach to the way we monitor water company discharges to water. Instead of collecting and analysing samples on behalf of water companies, we passed the responsibility to the water companies to prove to us that they are complying with their environmental permits. The benefits of doing this were cost neutral; however, they introduced the following efficiency benefits to how we operate:

- focusing our attention on those sites and operators who pose the highest risk to the environment and are performing poorly
- improving management systems leading to better overall control and fewer environmental incidents
- improving sustained compliance by operators
- encouraging operators to have a greater awareness of their performance and the environmental impact of their operations.
- promoting proportionate and lighter regulation of those businesses that minimise their environmental risk and providing the opportunity for reduced regulatory charges and administrative burdens.
- meeting the principles of Better Regulation set out by the Government in the Hampton Report and the Regulators' Compliance Code.
- making end-of-pipe self-monitoring a compulsory measure (through consent changes)

During the Spending Review 2010 (SR10) period major reductions were made in the cost of head office and support service functions to help protect frontline delivery. As a result, a number of support services functions operating within each region were centralised to form national services. This enabled centralised teams across finance, procurement, HR, estates and legal services to deliver a more consistent service at reduced cost to the organisation. The reductions achieved in that period are presented below:

<b>Corporate Service</b>	<b>2010/11 SR10 baseline £m</b>	<b>2013/14 Actual spend £m</b>	<b>Costs reduced £m</b>	<b>Costs reduced %</b>
Communications and External Affairs	11.2	7.8	3.4	31%
IS /IT	83.0	63.1	19.9	24%
Procurement	4.0	2.8	1.2	29%
Finance	20.2	13.9	6.3	31%
Legal	15.0	11.3	3.7	26%
Estates	45.1	41.1	4.0	9%
HR	9.1	6.6	2.5	27%
Fleet	16.1	10.6	5.5	34%
<b>Total</b>	<b>203.7</b>	<b>157.2</b>	<b>46.5</b>	<b>23%</b>

## **Corporate Services**

The cost of corporate services is now charged to the Agency by Defra. The Defra group corporate services transformation programme will deliver significant cost savings of £124m or 30% over the SR15 period and as explained in the consultation document we expect the EA to experience a proportionate share of the benefits in the form of the charges it receives from Defra.

### **Benchmarking information**

It is difficult to benchmark our support costs against other organisations to assess their relative efficiency. This is firstly because companies and other organisations are not required to report their expenditure in published accounts in a manner that sets out their cost by function. As a result organisations do not report on the cost of Finance, HR, IT, estates, and communications. A second challenge if one can obtain information privately is that organisations will usually not be directly comparable. However we have access to some benchmark information for central government and have commissioned some comparisons in recent years. Where held such information will be noted below as we consider each of the corporate services.

### **Information Technology**

In November 2009 the Environment Agency outsourced the provision of day-to-day IT services to Capgemini. The contract runs until March 2019. The contract included a programme of transformation to move the Environment Agency applications onto supported versions of hardware and software in Capgemini data centres, and users onto Windows 7 from the existing Windows 2000 provision. The business case total cost over 10 years, including risk, was £647 million. The current forecast total cost, over 10 years, is £580 million, which includes £23 million of additional investment in business projects implemented since the start of the contract. Substantial savings have therefore been delivered.

### **Estates**

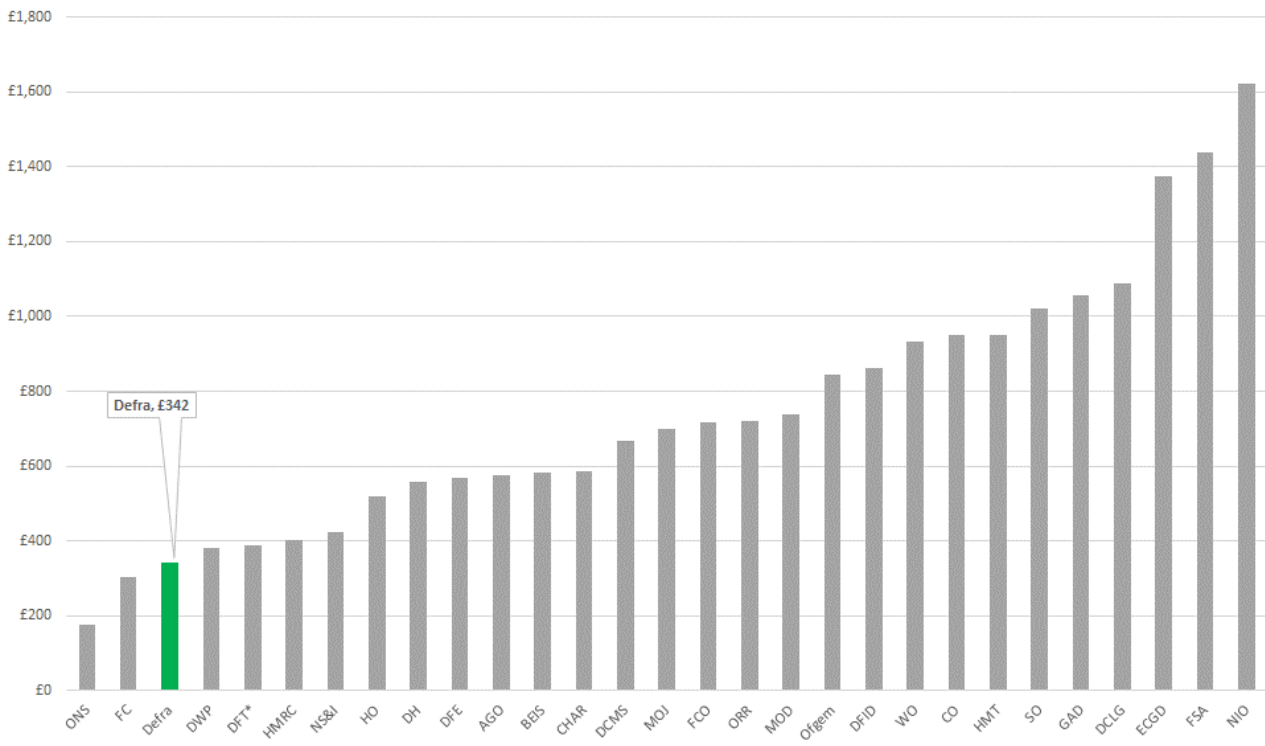
The cost of Estates is the second largest component of the Environment Agency's corporate services costs. This will differ from many other organisations for a good reason. The Agency operates across England and is required to be able to reach all parts of the country to carry out its role as regulator. Excluding lockkeepers cottages the Agency has 143 manned locations in the country. The vast majority of these locations provide working premises solely to operations staff which include those directly employed on regulatory activities.

The alternative to being present across the country in the way that we are is to have our regulatory staff in more centralised locations and therefore spending much more time travelling to and from sites, with this time being inefficient and poor value for money. The travel itself of course also consumes expenditure. There are practical reasons why this is less attractive to add to the financial driver.

As previously reported, in SR10 we significantly reduced our annual property running costs. Examples of efficiencies already achieved include co-location of offices with Defra group partners and other government bodies, making best use of office space, sale of uneconomical properties, reduction of property energy use by 45% and the setting up of national facilities management contracts giving economies of scale. Sixty three properties were closed in the 'SR10' period (2010 to 2015) and floor space per FTE decreased from 12.6 to 9.6m<sup>2</sup> from 2010-11 to 2014-15.

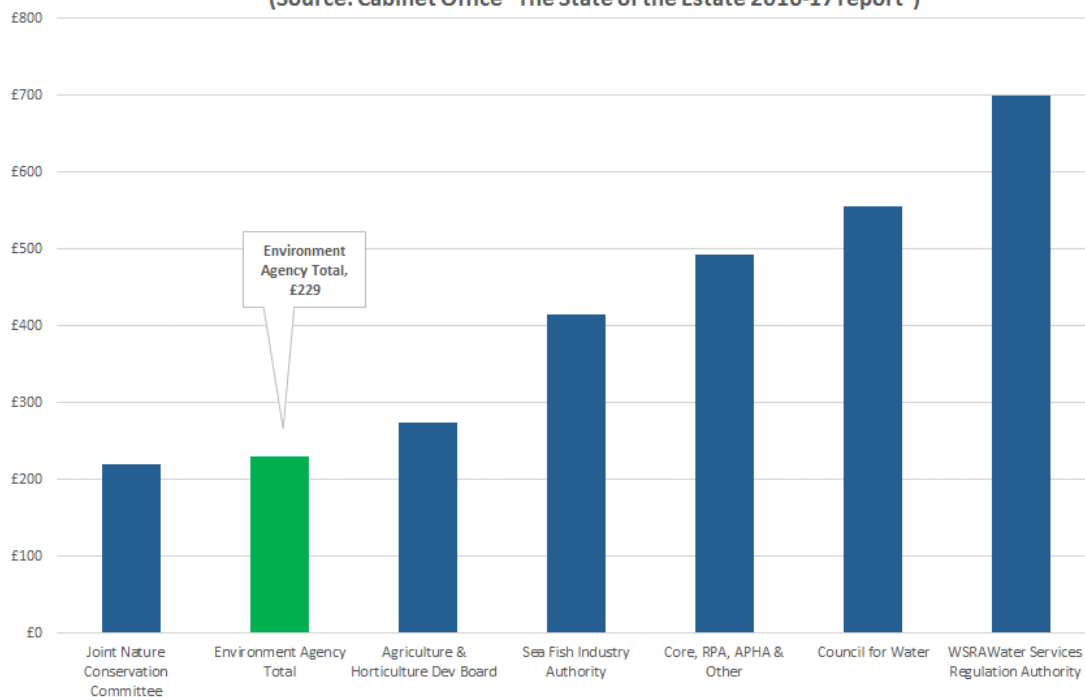
As a result of this improved utilisation and progressive rationalisation, we are already below the government benchmark target of £4,900 annual estate cost per FTE. The Cabinet Office 2016-17 State of the Estate report indicates that the Defra group has the third cheapest property cost per metre squared. The low property cost of the Environment Agency is the cause of this overall high efficiency position for the group as can be seen in the second chart below.

**Central government departments and bodies - total property cost per sq.m**  
 (Source: Cabinet Office "The State of the Estate 2016-17 report")



**Defra group - Total Property Cost per sq.m**

(Source: Cabinet Office "The State of the Estate 2016-17 report")



In its last annual report SEPA reported having 1,243 employees working in 22 offices. The Environment Agency had nine times the number of staff (10,618<sup>7</sup>) employed by SEPA and four times the number of offices. The Environment Agency's property costs are approximately eight

<sup>7</sup> Environment Agency 2016-17 annual report



times the property cost reported by SEPA in its last annual report. NRW reports 16 locations on its website. The Environment Agency has six times the number of staff employed by NRW and five times the number of offices.

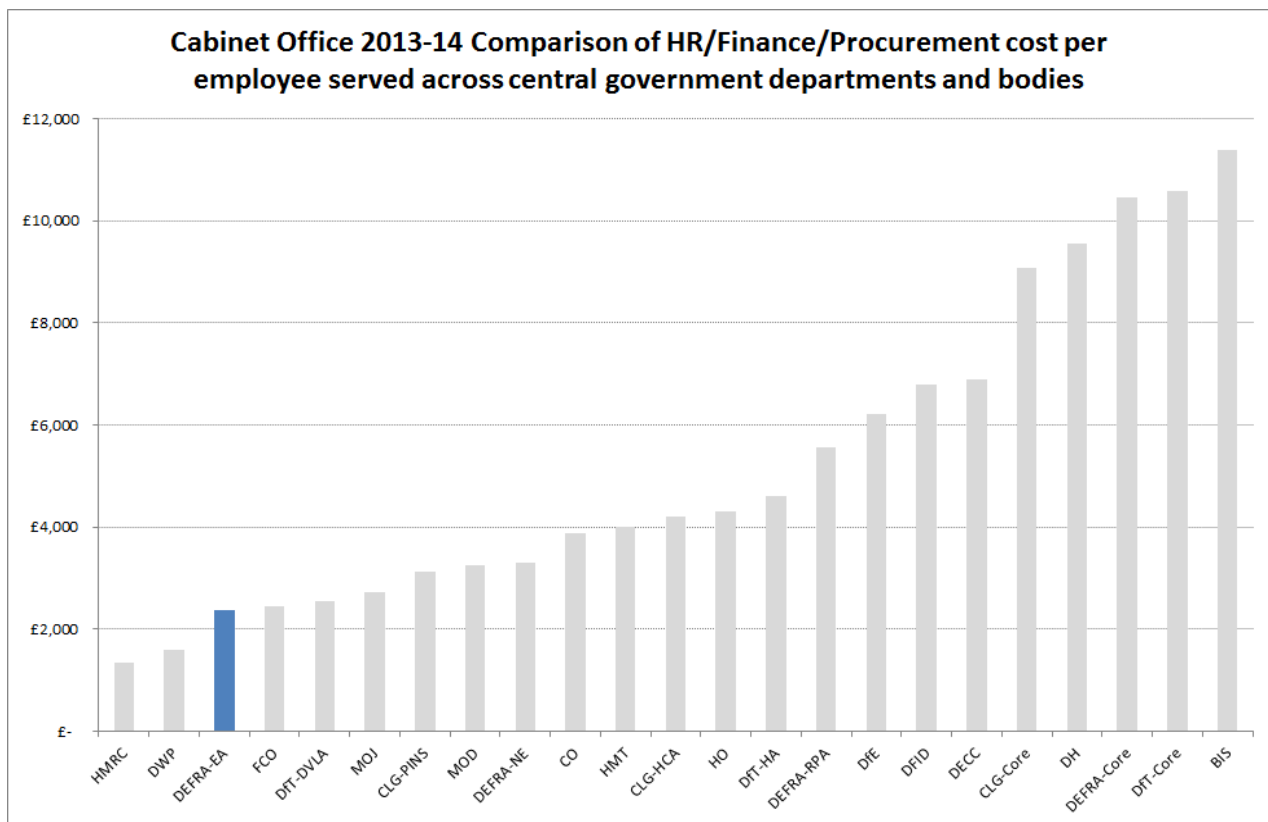
**Finance**

We have a recent comparison done by a 'Big Four' accountancy firm of Defra group Finance cost as a percentage of income versus a group of peer organisations that were specially selected to provide a reasonable benchmark. This indicated that Defra group Finance was in the second quartile of organisations. The organisations were a mix of private and public sector with most being private sector.

We believe that there are good reasons for why our Finance cost might be expected to be greater on a like for like basis than most organisations. These include, over and beyond the usual requirements for private sector organisations, having to account for over 50 different funding streams, each requiring maintenance of separate income and expenditure accounts, and needing to follow HM Treasury's Managing Public Money, FReM accounting framework, parliamentary and government accounting rules and disclosure requirements. We also have a business context to support that is more complex than many private sector businesses (eg tens of thousands of customers, over 100,000 invoices per annum, similar levels of purchase invoices and suppliers)

Defra group has a SR15 target to further reduce the cost of Finance services by up to £8 million per annum, representing a further 25% reduction from 2015 levels.

In 2013-14 the Cabinet Office produced a comparison of the cost per person served of HR, Finance and Procurement (Commercial) for central government departments and bodies including the Environment Agency. This indicated that the Environment Agency was at the most efficient end of the spectrum. This is provided below.



This was prior to the move to outsource high volume finance, HR and procurement transactions to Shared Services Connect Limited (SSCL). This outsource is further reducing the cost to the Agency over the 7 year contract period.

## **HR**

Civil Service HR suggest a recommended ratio of HR professionals to business personnel of 1:90. Defra group HR currently operate at a ratio of 1:72. Clearly this is outside of the suggested normal boundaries and this is being addressed as part of the on-going transformation work that is anticipated to see a further reduction of up to 80 FTE over the course of the spending review, seeing the annual HR budget fall by a further approximately 25%.

## **Bad debts**

The Agency's credit control function is provided by Shared Services Connected Limited. This supplier delivers a 'Dunning' collection process. In 2013 the Agency contracted services from a debt collection agency to which it refers any invoices unpaid at the end of the Dunning process. The debt collection agency collects a substantial portion of the invoices and where it has been unable to do so, refers them back to the Agency to decide on. Unless there is a valid dispute to resolve, we revoke permits and now pursue debtors to the small claims court to seek a county court judgment against them for non-payment.

## **Financing costs**

The weighted average cost of capital used by the Environment Agency which is that set out by HM Treasury is 3.5%. This is lower than private sector businesses would usually require as a rate of return for their investments. The cost of depreciation is a function of the cost of fixed assets and their useful economic life. The cost of assets is kept as low as possible by the professionalism of the commercial function and the very favourable contractual frameworks it achieves.

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