



**Consultation response document:
Environment Agency charge proposals
from April 2019**

March 2019

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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1. Introduction

In December 2018 the Environment Agency published its consultation on 'Environment Agency charge proposals from April 2019'. We proposed these changes so that we have charges in place that:

- work better for businesses and the environment
- reduce reliance on government income from tax payers
- make sure that we are financially sustainable

1.1. Purpose of this document

The purpose of this document is to summarise the responses received, provide our reply to these responses and confirm the final decisions. This document also describes how we carried out the consultation, and who we consulted with.

1.2. Background

The consultation set out proposals to make changes to a number of our charging schemes, setting our charges from 1 April 2019. The charges proposed follow various changes implemented in April 2018 to a suite of charging schemes as a result of our Strategic Review of Charges (SRoC) programme. The SRoC set out to simplify the way customers work out their charges - it has helped make the system less complicated and charges are now calculated in a consistent way for different regimes.

The SRoC was implemented in accordance with HM Treasury's managing public money handbook and Classification of Receipts guidance, so that we recover the costs of providing our services through charges to customers receiving the services. Charges are made up of direct costs, indirect costs, fixed costs and financing costs. Further detail is available in [Consultation response document annexes: Charge proposals from 2018](#) (see Annex 4: Extra narrative on make-up of charges). We have maintained this approach for the proposed changes this year.

We proposed changes from April 2019 for the following regulatory regimes:

- Environmental Permitting (England and Wales) Regulations 2016 (the EP Regulations) including Closed Landfill, Radioactive Substance Regulations (RSR), and other EP Regulations changes
- The Environmental Protection (Disposal of Polychlorinated Biphenyls and other Dangerous Substances) (England and Wales) Regulations 2000
- Water Abstraction - Dee and Wye Standard Unit Charges only
- EU Emissions Trading Scheme
- Producer Responsibility: waste electrical and electronic equipment (WEEE) Compliance scheme.

Some of the proposed changes are designed to add clarity to schemes introduced following the SRoC or accommodate subsequent changes in costs of regulatory approaches. Other changes relate to schemes that were not included in the SRoC.

We will continue to ensure that:

- people only pay for the regulatory service they receive; this is the biggest factor in the change in costs for our charge payers
- we offer optional enhanced services that customers may want to use
- we reduce reliance on taxpayer funds currently needed to support our regulatory work

1.3. How we ran the consultation

The consultation was launched on 3 December 2018 and ran until 1 February 2019 (9 weeks). Before, during and after this time we engaged with our major stakeholders, trade associations and sector bodies via correspondence and dedicated events.

Consultees were able to respond online or by post and a contact number and address were provided for queries. We ran the consultation in accordance with the criteria set out in the Cabinet Office's 'Consultation Principles' guidelines.

2. Important findings from the consultation and a summary of decisions

We received 41 responses before the deadline: 31 online responses and 10 written responses that were not duplicates of an online response. The responses to each question are summarised in Annex 1. Of these respondents there were several organisations and trade associations representing many hundreds of interested parties and charge payers.

The list of organisations and groups that declared their participation in the consultation is provided in Annex 2. The responses were spread across sectors, though many were received from the nuclear and waste sectors.

2.1. Decisions for closed landfill charges

We consulted on two means of setting charges for closed landfill permits - option 1 was more complex and precise, option 2 was simpler. Consultees also suggested that different approaches should be considered.

We sought to better understand any impacts arising from our charges on the sector generally and on small or medium-sized enterprises (SMEs) particularly. We did receive feedback that has helped us to understand the potential impacts.

After careful consideration we have decided to implement option 2, as it was set out in the consultation. We have considered the evidence relating to the level of risk posed by these sites and the range of regulatory effort (as set out in the consultation) that we consider appropriate. The new system of charges will recover the costs of that regulation, while recognising that it is desirable to keep the annual subsistence charge paid by each permit holder as low as possible. We consider this approach to be reasonable and proportionate, fair to large and small operators and necessary to discharge our duties to protect people and the environment. We discuss consultee comments further in section 3.

2.2. Decisions for RSR hourly rate

We consulted on raising the hourly rate for nuclear specialists to £286 to secure the recovery of costs of the specialist staff deployed on such work. Consultees sought explanation, expressed some concern and suggested delaying the increase.

After considering consultee views we still consider it appropriate and necessary to increase the hourly rate from 1 April 2019. We discuss consultee comments further in section 3.

2.3. Decisions for other EP Regulations changes

We consulted on some amendments to the EP Regulations charging scheme to:

- widen the scope of a supplementary application charge for consultations concerning sensitive sites and habitats
- create more differentiation in some waste activity application charges
- clarify the categories of some subsistence charges
- reflect a revised public participation statement

Consultees sought some explanation but also expressed support for these changes.

After considering consultee views we intend to implement these changes from 1 April 2019. We discuss consultee comments further in section 3.

2.4. Decisions for polychlorinated biphenyl (PCB) registration charges

We proposed to shift our registration charges in England from a flat rate to tiered levels of charges reflecting increasing holdings of equipment containing PCBs. The proposal was for charges to rise to better secure cost recovery for our existing registration activity and also to fund compliance based activities in the future. Consultees sought explanation, expressed some concern and suggested that those registering one or few items should pay less.

After considering consultee views we have amended our proposal to include a new, lower charge category for registration of a single item (at a single site). To secure cost recovery for our planned activity we still consider it both appropriate and necessary to implement the increased charges from 1 April 2019. We discuss consultee comments further in section 3.

2.5. Decisions for Dee and Wye standard unit charge for water resources

We consulted on raising the standard unit charge for water resource permits in these catchments to reflect the proposal put forward by Natural Resources Wales (NRW). We did not receive many comments about these proposals.

After considering consultee views and agreeing final proposals with NRW, we will be implementing reduced charge rises to reflect the final NRW proposals. We discuss consultee comments further in section 3.

2.6. Decisions for EU Emissions Trading Scheme (EU ETS) and WEEE charges

We consulted on minor amendments to these charging schemes. We proposed to introduce an abatement clause for EU ETS and clarified various references in the WEEE charges. Both were generally welcomed by consultees. As they offer greater precision and flexibility we have decided to implement the changes.

3. Important themes from consultees and Environment Agency response and decisions

This section explains the main themes raised during consultation and the Environment Agency's response to each. We have provided responses under grouped themes. This is to allow a focus on the issues raised by consultees, how these have been taken into account in the Environment Agency's final decisions and what has changed from the initial proposals. If you are interested in a particular consultation question and the numbers of responses we received, please see Annex 1. Annex 2 lists the organisations that took part in the consultation.

We have followed HM Treasury's managing public money handbook and Classification of Receipts guidance when calculating the costs of our regulatory services and setting our charges. We structure our charges to balance simplicity of use with precision of charge level. Our approach has been based on achieving full cost recovery, identifying efficiencies and exploring opportunities to improve the service we offer.

3.1. Resetting closed landfill

We put forward two options for the future structure of charges for closed landfill sites in our consultation. They were accompanied by a description of the economic and the legal context for these charges. We asked the following four questions to get consultees' views and preferences.

Question 1: Do you have a preference for the charging approaches described in option 1 or option 2?

Summary of consultee response

The majority of those expressing a preference preferred the less complex approach of option 2.

Some consultees thought that the majority of closed landfills do not represent a significant risk to the environment. They sought further evidence to support the need for our planned regulation.

There were concerns about charge rises for a sector that could no longer generate significant additional income.

There were requests for a 'third way' of charging: possibly using an operator-led, risk assessment model.

Some operators thought that the Environment Agency already has sufficient powers under a 'Fees for Intervention' approach to address any additional regulatory intervention, without raising baseline charges. There was also some concern that we would now seek to update 'legacy permit conditions' and impose new standards at all sites.

The cost of charges to vary a permit and the costs and criteria involved in surrendering a permit were raised by some operators. There was a suggestion that we should abate such charges, or charge below cost.

There were concerns that neither option used a risk-based approach, where closed landfills that presented the greatest risk might require the most regulation and incur the biggest charges.

Environment Agency response

We put forward two workable options for the structure of future charges for closed landfill sites in the consultation. We said that option 2 was our preferred option. Having seen and taken into account the views of consultees, we confirm that we will pursue this option in preference to option 1.

Some consultees stated that most closed landfill sites do not represent a risk to the environment and referenced the Honace Report commissioned by Defra. This was an initial scoping report on the management of landfills in aftercare. The authors acknowledge that they have 'tentatively considered' environmental impacts in drawing their conclusions, leaving a great deal of uncertainty as to what impact these sites are having on the environment.

As outlined in section 2.2.2 of the consultation, our most recent work on closed landfills shows that while some sites were well maintained, infrastructure failings often occur because installation took place many years previously during the operational phase. Based on our review of sites that were permitted to accept hazardous or non-hazardous wastes, we know that a fifth had leachate levels in excess of compliance limits. At almost half of the sites landfill gas concentrations were above perimeter compliance limits. At some sites we saw pollution of surface and/or groundwater. For these reasons we maintain our view that closed landfills do pose risks that we need to address through the proposed regulatory approach outlined in the consultation.

We have reviewed and revised our charges since we first consulted on updating them in November 2017. In particular, we recognised a concern that baseline charges that every closed landfill permit holder pays should be kept as low as possible to make them more affordable. We have driven down these costs, for example by removing engineering works from routine regulation in both the options that we put to consultees. We are satisfied that we have taken account of impacts on permit holders and properly discharged our obligations in relation to all regulatory duties and statutory guidance.

We did some work in 2018 to consider implementation of the 'third way' option referred to in some consultation responses. During those discussions industry expressed reservations over some of the principles associated with an operator-led approach. The regulatory costs of this approach were the subject of some scrutiny - they resulted in a challenge that led to its withdrawal. These considerations led us to look at options that could reduce the charge to industry but still provide an effective regulatory service. We consider that both option 1 and option 2 did this - option 2 is our preference because administration will be easier for operators and ourselves. Any re-assessment of the risk a site presents needs to be conducted through appropriate permit review and variation mechanisms in accordance with the regulatory framework. Compliance assessment, funded by subsistence charges, is to confirm compliance with those conditions. Both options allowed operators to demonstrate a lower risk through an application to vary their permit.

Closed landfill sites will continue to be regulated against the requirements of their permit, not to newer or changed standards. We have no plans to change our current approach by introducing wholesale shifts in the standards (and operating costs) of closed landfill sites. We will respond to the potential of harm and tighten controls at sites where the risk of pollution and harm is too high.

Consultees were mistaken to think that the Environment Agency already had powers to charge for work at closed landfills under a 'fee for intervention' approach. A system like that operated by the Health & Safety Executive using a Fee for Intervention approach may have advantages, but it is not a power that has been made available to the Environment Agency. While the Environment Agency does recover some costs through additional time

and materials charging, the circumstances where this applies are limited, specific and reactive.

We did note the calls to reduce the charges for both variation and surrender applications for these sites. However after careful consideration we decided that we must continue to recover our costs in processing those applications. We believe that there can be significant operating cost savings available to permit holders that do pursue variations and surrenders and that these (not just the avoidance of future subsistence charges) would affect the cost-benefit calculations for operators.

We have already begun speaking to industry to revise criteria for surrendering permits. This dialogue was suspended pending resolution of the consultation, and will resume once appropriate resources are made available.

We accept that closed landfills may now generate little income for the operator, though circumstances may vary. Some consultees likened funds from a wider company group being used to cover aftercare costs to cross-subsidy between different charge payers and sectors. The Environment Agency avoids such cross-subsidy in setting charges as required by HM Treasury's managing public money handbook, but we consider the circumstances here to be quite different and not constrained in the same way.

The risk posed by a closed landfill is reflected in its permit conditions and in the controls that they require. As the risk of harm reduces, permits may be varied to reflect this. This is not a change to the process and will continue as before. As the charges due are dependent upon a combination of the requirements of each permit and the level of compliance, we consider the charges do appropriately reflect the environmental risk.

Question 2: Do you have any comments or alternative views on the economic context we have described?

Summary of consultee response

Larger companies that responded to the consultation challenged our understanding of how the industry makes accounting provisions and the economic impact that will have. They provided some further information and quantification, allowing us to conclude that £8m may be needed because of the proposed charge increases. They did not provide detailed information of their own, individual provisioning policies, nor any detailed quantitative impacts.

Smaller companies and other respondents agreed with or chose not to comment on our assessment of economic impacts, though a query was raised as to why the impact assessment had not been extended to the voluntary or community sectors.

Other points raised by consultees:

1. An Environment Agency view that discretion is available in setting these accounting provisions is incorrect.
2. The level of accounting provisions across the larger companies in the industry is likely to be significant.
3. The Environment Agency should further consider the impact of accounting provisions.

Environment Agency response

An impact assessment of the new charges is provided in Annex 3. Its conclusions are as follows:

Our analysis shows that the impact of the closed landfill charges on the owners of the sites will be mostly negligible for the majority of the sites. For large operators who own a

number of sites, the total increase is very small when compared to their size and turnover and also as a proportion of the total operational costs of closed landfills. A few operators will face an increase in accounting provisions, adding a small percentage to their existing provisions.

For single operators and especially SMEs the impacts may be more significant. The difficulty in getting financial information for these site owners means that we cannot assess the impacts accurately. However, the actual amounts of money required under both options are not large.

The majority of these SMEs are closed landfill sites classed as 'inert'. The new charge for these will be £663 or £1,105, meaning an annual increase of £366 to £808, or £30 to £70 per month.

We do not anticipate any wider economic impacts from these proposals.

Point 1 - Consistency, variability and discretion

In the consultation documents, we said "While we are happy to improve our understanding of these matters, through the responses of consultees, it does not appear to us that there is any industry wide impact, nor any impact that cannot be mitigated by operator choice, that would prevent us from adjusting charge levels."

The feedback from consultees has confirmed the first aspect of this understanding, that "it does not appear that there is any industry wide impact... that would prevent us from adjusting charge levels". The views expressed confirm a varied approach across this industry sector. This agrees with a previous study that we carried out looking at a sample of operators. We accept that this does not mean that there is no impact anywhere. However it does confirm that concerns that had been raised with us previously of hundreds of millions of pounds of provisions being required everywhere across the sector are not valid.

We do have a different view of the second aspect of our previous understanding, thanks to the feedback from consultees. Whereas previously we said "it does not appear to us that there is any...impact that cannot be mitigated by operator choice, that would prevent us from adjusting charge levels", we would now agree that 'there are some impacts that operators may not be able to mitigate, that we should consider when adjusting charge levels.'

We have heard clearly that some operators do make accounting provisions for future charges, that these operators have detailed and carefully audited provisioning systems, and that these operators cannot reconsider the factors taken into account in their provisioning calculations. Operators have not chosen to share detailed information with us about their provisioning systems.

Point 2 - The scale of accounting provisions likely to be made

Helpfully some responses included figures in relation to expected increased provisions. One cites that "...for operators with large numbers of such sites, this can be a large adjustment to the balance sheet. ...a number... are reporting ...the impact on provisioning in accounts well in excess of £1 million." Another respondent says that they will provide an additional £50,000 per major site. Extrapolating these figures across the number of large companies (8 operators account for about 300 sites) and the numbers of what might be considered major sites, suggests total figures of about £8m and £7.8m respectively.

This is likely to be more accurate than a calculation of £24m, comparing the total increase in charge income to the proportion of sites held by companies and assuming an aftercare period of 60 years. That figure would be an overestimate, as the actual increase in charge income could be lower; not all companies make provisions or provisions that include

charges, aftercare periods will be shorter for some of the sites, and provisions are usually discounted.

Point 3 - Further consideration of the impact of accounting provisions

We have taken note of the impact of accounting provisions in considering whether to take forward charge proposals. We note the views of some consultees that they do not think they can avoid this impact through their own action. We are aware that the scale of increase is likely to be about £8m and not likely to exceed £24m and that the impact falls mainly on the larger companies in the sector. This adds to about £600m of existing provisions known at those larger companies. As we know that smaller companies and thus most SMEs do not make these accounting provisions in this way, the impact for them may not be material.

Before 2018 we had not been increasing charges for these sites to maintain pace with inflation. Had we done so, and had operators not benefited from that real terms cut in charges, the increase required now to achieve cost-recovery would not be so large, nor would it have such an impact upon accounting provisions.

We have discussed with some operators what we could do to minimise the impact on their accounting provisions. One method is to keep any predictable cost rises to a minimum, which we sought to do in drawing up both options 1 and 2 (all charge figures are lower than we arrived at in 2018, as we have stripped out further costs that may not be required at every site, such as inspection of engineering works). A more extreme version of that approach would be to make the annual charges wholly unpredictable, potentially by switching all of our cost recovery to time and materials charging. Such a lack of predictability brings obvious disadvantages across the sector. Also the relative inefficiency in multiple invoicing and other administrative costs actually increases regulatory costs and charges for all operators.

Our impact assessment and consultation sought to improve our understanding of the environmental context of these operators, so that we could make an informed decision about future charges. While we did not investigate third sector operators directly, we were happy to hear of any specific differences or impacts that could have an impact on our decision making.

Question 3: Do you anticipate that our closed landfill charging proposals will have an unfair or disproportionate impact on SMEs (including any permit holders that are individuals)?

Summary of consultee response

Eight respondents replied 'no' to this question, and four said 'yes'.

The additional comments responding to this question were made by large companies and the trade body they belong to, not SMEs.

Site abandonment caused by increased charges was raised as a potential issue.

Environment Agency response

There were several views expressed on this issue, however no consultee suggested how regulatory costs could be recovered in a fairer manner for SMEs.

We acknowledge that any charge will not be welcome amongst SMEs and that increases in charges may be problematic for some operators. However no SME operators have given us any details through a consultation response or via our consultation engagement exercises with industry. We also note and understand the limitations of our impact assessment methodology in relation to these operators, as there is so little publicly available information about their financial position for us to take into consideration.

However, in relation to the risks of increased site abandonment, we consider that appropriate regulatory advice will mitigate such risks. The increased charge will enable us to better detect sites which are at risk of abandonment. This accords with the aims of Defra's Resources and Waste Strategy for legacy landfills.

Question 4: Do you have any comments or alternative views on the regulatory (legal) context we have described?

Summary of consultee response

Most consultees that expressed a view did not have comments or alternative views, however some did comment.

Views were expressed that our proposals did not comply with the Regulators Code and unnecessarily hinder economic growth. There was also some confusion in an expectation that the Environment Agency might pursue recovery of costs via a 'Fee for intervention' scheme. Reference was made to our interpretation and application of Article 10 of the Landfill Directive, with some positions being reserved.

Our statement that a large number of closed landfill permits reflected a serious risk to the environment was remarked upon by several of the consultees, drawing upon the Honace report as evidence (discussed above).

One respondent sought clarification of the term 'landfill' in relation to permitted dredging disposals sites, another whether the Environment Agency was likely to review its charges again in the future.

Environment Agency response

In the consultation document we set out the regulatory (legal) context for closed landfill sites, describing current permitting requirements, the application of the Landfill and Waste Framework Directives and the cost recovery principles that apply to our charging powers. While we have carefully considered the responses from consultees, our view of these matters has not changed. Hence we do not know of any reason in law why we should not make a charging scheme that enables us to recover the costs of regulation that will enable us to reduce and prevent pollution and harm from closed landfill sites in accordance with our legal duties. To do so appears both necessary and desirable.

We are satisfied that the Environment Agency has paid regard to and carried out its responsibilities in relation to all of its regulatory duties and statutory guidance. This includes the Deregulation Act 2015 (to have regard to the desirability of promoting economic growth), the Legislative and Regulatory Reform Act 2006 (to have regard to the principle that regulatory activities should be carried out in a way that is transparent, accountable, proportionate and consistent) and The Regulators Code.

We have engaged extensively with the industry, both before and during the consultation, in order to understand their concerns. We have sought to understand the economic issues that affect the industry and have done our best to accommodate these in our proposals, whilst ensuring those proposals still enable us to deliver our legal duties to protect the environment and recover the costs of our work in doing so.

As identified earlier, the Environment Agency does not have the legislative ability to charge fees under any 'Fee for Intervention' scheme.

The Environment Agency aims to restrict further changes to charges under the Environmental Permitting charging scheme before 2023, subject to confirmation of our expectations for inflation and efficiency savings. However, if we did recognise that any charge had ceased to be appropriate and proportionate such that we were materially over- or under-recovering our costs, then it may be necessary for us to act sooner.

The Environment Agency has been clear that charges are cost reflective and relate to the costs of regulation.

The Environment Agency agrees that the EP Regulations define 'landfill' and embed the exclusion for 'the deposit of non-hazardous dredging sludges alongside small waterways from where they have been dredged out...'. While these sites are not formally landfills they remain disposal activities that we must regulate against the requirements of the EP Regulations and the Waste Framework Directive (2008/98/EC). Where dredging sludge is hazardous, is not deposited alongside a waterway or arises from a different waterway, all the relevant requirements of the Landfill Directive apply and these sites are landfills.

3.2. Change to RSR nuclear hourly rate

Summary of consultee response

A quarter of the 16 responses in this section agreed with our proposal to increase the nuclear specialist hourly rate from £240 to £286 for Radioactive Substances Regulation (RSR). Feedback from these respondents indicated they were supportive of the requirement to achieve full cost recovery and for Environment Agency nuclear specialist salaries to reflect current market rates.

More than half of the responses did not agree with our proposal and the rest said they did not know or did not provide an answer. Much of the feedback queried the basis of this charge increase. Some respondents queried the scale of the increase (19% in April 2019) and why it should be required in addition to the previous increase (12% in April 2018). Some respondents asked for further detail to justify the increased hourly rate required for the recovery of salary costs. This included requests for more evidence that the proposed charge increase was based on full cost recovery and would not be used to fund other activities, such as flood defence.

Other feedback included:

- delay or phase the introduction of new charges to help with budgeting in 2019/20
- provide quality assurance for the service being provided
- demonstrate value for money
- consider whether a lower hourly rate could be introduced for lower risk sites
- provide more detail on quarterly invoices
- reassure that sector turnover is not being used to justify increases in excess of cost recovery.

Environment Agency response

We intend to implement our proposals for the RSR hourly rate increase. We recognise the concerns raised about this increase being applied on top of the increase introduced in 2018. However, the increase in hourly rate from £240 to £286 is based on our assessment of the costs of providing this service. As noted in the consultation, our objective is to fully recover these costs, in line with HM Treasury's managing public money handbook. We are satisfied that the charge of £286 is fair, reflects the full cost of our service (based on current market rates for our specialist nuclear regulators' salaries) and should be applied from 1 April 2019.

The proposed increase is specifically to account for a recent review of the market rates for nuclear regulator's salaries. These increases are required in addition to those applied in April 2018 to account for this specific change to our costs resulting from the salary review.

This is only our second charge increase in nine years. The proposed increase of 19% in our hourly charge is in line with the average salary increases for nuclear regulators.

We calculated the proposed charge using the same methodology used for the SRoC. This includes all chargeable activities required to deliver the service associated with the RSR hourly rate. Staff turnover and affordability are not included in our full cost recovery calculations.

We communicated directly to all companies affected by the proposals in addition to the online consultation, to give as much advance warning as possible. The pay increase for staff was back-dated to July 2018, which means we have effectively delayed introduction of the new charges for 9 months. Since the pay increase was approved, we are no longer fully recovering our costs for providing this service. It would be inappropriate to continue subsidising the costs of this work. We therefore believe it is appropriate to introduce the full charge increase from 1 April 2019.

We take a risk-based approach to the regulation of nuclear sites. All sites are charged the same hourly rate, which relates to the skills and experience of our specialist nuclear regulators. However, the number of hours that we spend regulating each site is assessed to provide lower overall charges for lower hazard and better performing sites. We require all Radioactive Substances Regulatory Officers to attain Radioactive Waste Compliance Adviser status, which is the equivalent of the standard required of those we regulate (Radioactive Waste Adviser).

We already have a lower charge of £125 per hour for regulatory work that does not require specialist nuclear staff at nuclear sites. This rate has not been increased.

3.3. Habitats assessments

Summary of consultee response

A large proportion of the responses to our consultation agreed with our proposal to extend the scope of the £779 habitats assessment charge to other sensitive locations where we make the same assessments. We received feedback that the charge was considered proportionate, that it was fair for us to recover the costs of carrying out this work and that doing so would enable the protection of these sites to be sustained.

Some respondents disagreed with the proposal, querying whether the assessments were really needed and suggesting there are inconsistencies in both how we determine when an assessment is required and the process that is followed to carry out the assessment. We received feedback that the £779 charge rate is too expensive and leads to over-recovery, that there is a duplication of work between ourselves and other organisations such as Natural England and planning authorities, and that the impact on charge payers had not been properly considered.

Environment Agency response

We intend to implement our proposals and extend the scope of the £779 habitats assessment charge to permits affecting other protected areas.

It is government policy ([National Planning Policy Framework 2018 \(NPPF\)](#)) that the following types of site are subject to the same protections as European sites. Therefore we make the same assessments:

- Potential Special Protection Area (pSPA)
- Possible Special Area of Conservation (pSAC)
- Listed and proposed Ramsar sites
- Sites required as compensation for damage to other European sites.

Our consultation also included Sites of Special Scientific Interest (SSSIs) and Marine Conservation Zones (MCZs) in this list. While SSSIs and MCZs do not fall into this list in the NPPF, they are protected and we have a duty to take account of them when permitting. We carry out very similar assessments and consultations on these sites, which take a similar amount of time as for European sites or sites treated as European sites, so we will apply the same charge.

The charge of £779 is based on our assessment of the effort necessary to carry out this regulatory activity and, in accordance with HM Treasury's managing public money handbook, we recover the costs of providing this service through the charge.

We would only apply one assessment charge per permit application regardless of the number of protected areas that need assessment as there is significant overlap in the work involved. This will help to minimise impact on charge payers.

We have a clear process defined for when and how we carry out these assessments. We take into account the risk and scale of the proposed activity, in order to ensure consistency in our approach and define our and Natural England's separate roles. We do not believe that our assessments represent a duplication of effort in relation to work carried out by planning authorities or Natural England. We see them as a distinct process necessary to determine the permit application's potential impact on these protected sites.

3.4. Hazardous and non-hazardous waste installations application charges

Summary of consultee response

The majority of responses to our consultation were in agreement with the proposal to introduce new categories and application charges for hazardous and non-hazardous waste installations. The review of effort and associated reduction in charges was welcomed. We did not receive any responses which disagreed with the proposal, but people commented that the increased number of categories may lead to confusion amongst operators. People also suggested that more clarity on the cost implications of these changes would be helpful, as well as information on how we arrived at the new charges.

Environment Agency response

We intend to implement our proposals and introduce additional application categories for hazardous and non-hazardous waste installations. The proposed changes more accurately reflect the cost of the service we provide. They are based on our assessment of the effort needed to carry out our regulatory activity and, in accordance with HM Treasury's managing public money handbook, we recover the costs of providing this service through the charges.

We will introduce differentiation into our application charges for hazardous and non-hazardous waste installations to reflect the variability of effort associated with assessing

activities falling into these categories. As a result of these amendments, some operators will benefit from a lower application fee, ensuring that we do not over-recover our costs for these application types. There may be some rare cases where an operation undertakes multiple activities that now fall into different application categories in the revised scheme, in which case our policy on application charges for multiple activities under one permit will apply. Given the additional effort required for assessing applications with multiple activities, we feel that the proposed approach is fairer and more cost-reflective.

3.5. Medium combustion plant and specified generator charges

Summary of consultee response

We did not ask any specific questions on this topic because the new standard rules and associated charges that apply to medium combustion plant and specified generators have already been consulted upon and approved in May 2018. We did however receive some queries relating to how the standard rules permits and associated charges work in practice.

Environment Agency response

These charges will be incorporated into the charging scheme to provide greater clarity for customers on the charges payable. There is [guidance on GOV.UK](#) to help with applying for standard rules permits and what to do if you require a bespoke permit.

Application charges for permits for medium combustion plant and specified generators are now detailed in table 1.10 of the application charge table of the current charging scheme. Subsistence charges for bespoke permits are charged on a time and materials basis, as specified in paragraph 13(7)(b) of the current charging scheme and subsistence charges for standard rules permits are now detailed in table 2.10 of the subsistence charge table of the current charging scheme. The charges were developed to cover our regulatory costs and represent some of the lower charges applied by the Environment Agency in its EP Regulations permitting activities.

3.6. Other Changes to the EP Regulations Charging Scheme

Summary of consultee response

The majority of responses to our consultation agreed to our proposal to make the other specified changes to the EP Regulations Charging Scheme. We received feedback that the proposed changes help to create a fairer and more simplified scheme. People commented that the proposed changes for the RSR activity descriptions were unclear. We also received feedback suggesting that some of the proposed changes may not reflect accurate cost recovery, and that there is no direct link between scale of activity and regulatory effort. This means that the introduction of new scale-specific categories for flood risk activity permit applications for soft engineered bank protection works and subsistence charges relating to open air composting waste operations are unjustified.

Environment Agency response

We intend to implement the proposed changes to the EP Regulations charging scheme. The proposed changes to the RSR activity descriptions have been re-checked for clarity - you can see them in the consultation document. Changes to the RSR activity descriptions will not affect the charges paid by operators but will clarify which activities are authorised by each charge category, to help ensure that operators do not pay any unnecessary costs.

Our changes reflect the cost of the service we provide more accurately; scale of activity is indeed a factor in determining our regulatory effort. We outlined the impact of the scale of

an activity on our regulatory effort as part of the SRoC last year and feel we are justified in continuing to consider this as a factor when calculating our charges.

3.7. Proposal withdrawn: changes to the way we assess and score permit compliance

The Environment Agency was consulting separately on proposals to update the guidance on assessing and scoring permit compliance. This consultation closed on 29 October. We announced on 14 January 2019 that we would not be implementing the proposed changes. At this point, we withdrew question 9 from our consultation, which sought views on the impact of the proposed changes to the Compliance Classification System (CCS) on charges. We did receive some comments before this question was withdrawn. We are grateful for your responses and have passed these to the relevant team for consideration. They will incorporate this feedback into their next steps.

[See details of this separate consultation including its consultation response document.](#)

3.8. Public participation statement

Summary of consultee response

Most responses agreed with our assessment that the proposed updates to the public participation statement (PPS) will not change how we determine or treat high public interest (HPI) applications. We received feedback that the proposed PPS update allows greater transparency and understanding of the impact on charges for HPI sites. We received a number of comments relating to the way that HPI sites are defined and the need to ensure that the HPI criteria is applied fairly and proportionately, as well as concerns that by potentially charging more for applications that meet our HPI criteria, permit applicants could be discouraged from proactive public engagement on their proposed activity in case they become an HPI site as a result.

Environment Agency response

From the feedback we received, we consider there are no charging implications that would prevent the HPI criteria as defined in the updated PPS, being implemented. Following the consultation on [revisions to our PPS](#), we published an [updated PPS](#) on 21 March 2019. The HPI criteria in this updated PPS is broadly the same as that which was consulted upon, although we have added clarification on how we will treat standard rules and permit transfer applications that are considered HPI has been added. We have referenced the updated PPS in our amended charging scheme in order to define when an application is considered HPI.

The response for this separate consultation has been published at the above link. We also considered the comments we received on the charging implications of the PPS update were also considered as part of this consultation.

We passed feedback about the application of the HPI criteria as well as concerns about the impacts of charging have been passed to the relevant team to consider.

3.9. Change to charges for PCB regulation

Summary of consultee response

One of the 12 responses in this section agreed with our proposal to introduce new charges for equipment containing PCBs, moving from £155 to three banded charges (£2,905, £3,983 and £7,785). The remaining responses were split between those that did not agree, or did not know.

Most feedback related to the scale of the increase. Some respondents asked for more evidence to justify the proposal and demonstrate that charge bands were proportionate to effort. A few respondents said they thought more differentiation was needed within the proposed charge bands, in particular for operators with very few items. We also received some feedback supporting increased scrutiny of PCBs due to their high environmental risk.

Other feedback included comments on:

- delaying or phasing in new charges (rather than implementing in full on 1 April 2019)
- opportunities for regulatory efficiencies as the register declines in size
- requests for information about impact assessment (especially in relation to third sector operators)
- concerns about testing historic equipment before end of life

Environment Agency response

The proposed charge increase for equipment in England was designed to recover the cost of PCB regulation. However, in response to feedback received during the consultation, we have reassessed the proposed regulatory activity. We have reviewed the registration work and additional compliance activities, seeking to identify alternative methods and introduce further efficiency savings to reduce costs for operators. We are now able to amend our proposal, increasing differentiation within categories by adding a new, lower charge band for operators with only one item of PCB-containing equipment. This will be achieved by reducing the number of site-based audits and using desk-based information notices for operators with just one item. Amending our proposal by introducing a fourth cost-reflective charge band will provide an annual saving of £305 (over 10%) for 25 operators.

We plan to implement our amended proposal (with four charge bands) on 1 April 2019 to avoid further under-recovery of costs. All other aspects will remain as described in the consultation. These charge increases apply to any operators with registered items located in England. Any operator with registered items located only in Wales will continue to pay a charge of £155, as that charge has not yet been reviewed.

Revised table of charges for operators with PCB equipment located in England:

Charge band	Initial charge (proposed in consultation)	Revised charge (proposed after the consultation)
Single item	£2,905	£2,600
2 to 5 sites and less than 150 items	£2,905	£2,905
More than 5 sites and less than 150 items	£3,983	£3,983
More than 150 items (held at any number of sites)	£7,785	£7,785

Most feedback received during the consultation concerned the scale of the proposed charge increase and proportionality of costs. For the past ten years, we have maintained a register of contaminated PCB equipment in England and Wales with a flat charge of £155, regardless of the number of items held by an operator, the location of equipment (whether

in England or Wales, or both jurisdictions), or associated costs of the registration process and maintaining the register.

The Stockholm Convention requires the removal of all PCB equipment by 2025. As contaminated PCB equipment is removed from service, we will need to inspect more disposal evidence before such items are removed from the register. The new charges will recover the cost of these additional tasks.

After consideration of the consultation responses and additional analysis of our proposed compliance audits, we do not think these increases will have any significant adverse impact on customers. The addition of a fourth category for operators with only one item of PCB contaminated equipment will reduce the costs to relevant operators. Customers facing charges in the higher category are large companies and our proposed charges are not material relative to their turnover. Whilst increases are proportionally large, our existing charge has been set at a level significantly below cost recovery for the past ten years.

The proposed charges were calculated using the accepted methodology from the SRoC. This includes all chargeable activities required for the existing PCB registration process plus additional activities required to meet our obligations under the Stockholm Convention. The amended proposal (with four cost reflective charge bands) is consistent with the requirement to achieve full cost recovery, because the lower charge is proportional to the reduced cost of regulatory activity for these operators.

Regardless of location or age, the regulations require all equipment containing over 5 litres of fluid to be registered, if contaminated, or suspected to be contaminated, by a PCB substance greater than 50 parts per million. We are still required to meet these regulatory requirements, and the costs of fulfilling these obligations will be reflected in our revised charges.

3.10. Water abstraction: Dee and Wye standard unit charges

Summary of consultee response

We received few responses on this proposal. The majority of the responses we received agreed with our proposal to increase the Dee and Wye standard unit charges. The remaining responses were split between those that did not agree, and those that selected 'don't know'.

We received feedback that our charge proposal was justified due to the increasing pressure on water. We also heard comment that our charge proposals were potentially disproportionate to abstractors who were not providing public water supplies.

Environment Agency response

We are proposing to implement charges that are lower than those we consulted on. This will mirror an amended proposal by Natural Resources Wales (NRW), and lessens the impact on our customers. The charges will only be implemented if approved by the Welsh Government and Secretary of State. This will be an increase of 5% for 2019/20, and a further 2.75% for 2020/21. We had consulted on an increase of 6.75% for 2019/20, and a further 2% for 2020/21. We have therefore reduced the overall increase by 1%. NRW have reviewed their reservoir operating costs in the light of the responses received to their consultation.

3.11. Amendments to EU ETS charging scheme

Summary of consultee response

Most responses to our consultation were in agreement with the proposal to include an abatement provision in the EU ETS charging scheme. We received feedback that the

proposal is fair and will help ensure charges are proportionate by avoiding overcharging. We did not receive any responses which disagreed with the proposal.

Environment Agency response

We intend to include an abatement provision in the EU ETS charging scheme from 1 April 2019. This will help to ensure our costs reflect the true effort of our regulation and will bring the EU ETS scheme in line with other charging schemes that have abatement provisions such as the EP Regulations and Waste (Miscellaneous) charging schemes.

3.12. Amendments to Waste (Miscellaneous) Charging Scheme

Summary of consultee response

Most responses to our consultation agreed with our proposal to make minor amendments to the WEEE Producer Responsibility charges within the Waste (Miscellaneous) Charging Scheme. We received feedback that the changes add clarity to the scheme as the amended terms bring it into line with the wording in the WEEE regulations. People asked if the term 'registered for Value Added Tax' refers to UK VAT registration or EU VAT registration, for the purpose of categorising annual producer registration charges.

Environment Agency response

We will make the specified minor changes to the Waste (Miscellaneous) Charging Scheme in order to better reflect the terms used in the WEEE regulations in relation to annual producer registration charges. We confirm that 'registered for Value Added Tax' refers to registration under the Value Added Tax Act 1994, a UK tax law. We will also make this clear in the charging scheme.

Since this consultation was launched, it has come to light that the same section of the Waste (Miscellaneous) charging scheme (section 8 - 'charges relating to schemes') incorrectly refers to 'regulation 14(1A)'. Regulation 14(1A) was introduced by an amendment to the WEEE regulations in 2015 and relates to producers in EU Member States. The implication of this reference is that some producers that are established in an EU Member State will pay a lower fee than equivalent producers in a country that is not an EU Member State. The intention, as outlined in our [Consultation response document: Charge proposals from 2018](#), was for all overseas producers to benefit from a reduction in charges regardless of where they are established. The term 'meets the requirements of regulation 14 (1A) of the Regulations' will therefore be replaced with 'is established outside of the United Kingdom' in order to ensure all overseas producers benefit from a reduced charge.

3.13. Other comments received

Summary of consultee response

Most comments received in this section related to closed landfill, RSR and PCB regulation. Some consultees expressed concern about the transparency of the SROc regime.

We also received single queries on the following topics:

- Charges for environmental permits for discharges to surface water and groundwater.
- Concern that we are not levying reduced charges where our effort is significantly lower than the standard charges.
- Charges for Environment Agency-led variations to permits.

Some consultees requested direct contact from us to discuss specific concerns.

Environment Agency response

Comments received in this section related to closed landfill, RSR and PCB regulation have been addressed in the relevant sections above.

We included a detailed breakdown of how costs were calculated for the SRoC in the [Consultation response document annexes: Charge proposals from 2018](#) (see Annex 4: Extra narrative on make-up of charges). The same approach continues to be applied in accordance with HM Treasury's managing public money handbook. We have been recruiting new staff so that we can deliver an improved service. We will continue to measure effort expended to check that charges remain cost-reflective.

We confirm the only proposed change to charges for environmental permits for discharges to surface water and groundwater is to clarify the definition of 'numeric permit conditions'.

We are able to waive or reduce any charge specified in the EP Regulations, WEEE and now the EU ETS charging schemes if we consider it to be significantly disproportionate in a particular case, having regard to the actual costs and expenses incurred or to be incurred by the Agency in relation to a particular application or subsistence period. Customers should contact us directly if there is a particular case where they consider an abatement of a charge would be appropriate.

There is no proposed change to the system of charging for Environment Agency-led permit variations; the appropriate application fee will be payable for these variations. Customers should contact us directly if there is a particular case where they consider an abatement of a charge would be appropriate.

Where consultees requested direct contact from us to discuss specific concerns we have referred these requests to the relevant technical teams to action.

4. Next steps

The new charging schemes come into force on 1 April 2019, after approval by the Secretary of State, Department for the Environment, Food and Rural Affairs (Defra) and HM Treasury. The changes will be implemented under existing legislation in Sections 41 to 43 of the Environment Act 1995.

The following documents are published on GOV.UK:

- A consolidated version of The Environment Agency (Environmental Permitting) (England) Charging Scheme.
- The Environmental Permitting Charges Guidance
- Charges relating to PCB Registrations
- The Environment Agency Scheme of Abstraction Charges 2019
- A consolidated version of The Environment Agency (Waste - Miscellaneous) (England) Charging Scheme
- A consolidated version of The Environment Agency (EU Emissions Trading Scheme) (England) Charging Scheme.

4.1. Future charging developments and consultations

Over the next few years, we will be engaging with our customers to develop and shape proposals on:

- reforming the abstraction charges framework in line with the aims of the Strategic Review of Charges.
- a full review of Navigation charges with the aim of moving towards a new charging plan.
- sustainable funding for the 25 year Environment Plan

Annex 1: Summary of consultees' responses to each question

This section summarises the responses received to each question. It reflects the 'yes or no' answers to the questions from the formal e-consultation tool. Not all responders used the consultation response format, or answered all the questions, but we have given all comments full consideration. Where possible, we have combined all formats of the responses received and reflected the total number of comments provided. The main document includes summaries of comments received, as well as our response.

Resetting closed landfill

Question 1: Do you have a preference for the charging approaches described in option 1 or option 2?

Responses to question 1	Number of responses
Option 1	2
Option 2	13
No preference	6
Not applicable	13

Question 2: Do you have any comments or alternative views on the economic context we have described?

Responses to question 2	Number of responses
Yes	10
No	8
Don't Know	1
Not applicable	13

Question 3: Do you anticipate that our closed landfill charging proposals will have an unfair or disproportionate impact on SMEs (including any permit holders that are individuals)?

Responses to question 3	Number of responses
Yes	4
No	5
Don't Know	6
Not applicable	17

Question 4: Do you have any comments or alternative views on the regulatory (legal) context we have described?

Responses to question 4	Number of responses
Yes	8
No	10
Don't Know	1
Not applicable	13

Changes to RSR nuclear hourly rate

Question 5: Do you agree with our proposal to increase the nuclear specialist hourly rate from £240 to £286 for Radioactive Substances Regulation?

Responses to question 5	Number of responses
Yes	4
No	10
Don't Know	1
Not applicable	16

Habitats assessment

Question 6: Do you agree with our proposal to extend the scope of charging for habitats assessments?

Responses to question 6	Number of responses
Yes	15
No	9
Don't Know	4
Not applicable	4

Hazardous and non hazardous waste installations application charges

Question 7: Do you agree with our proposal to introduce new application charges for hazardous and non-hazardous waste installations?

Responses to question 7	Number of responses
Yes	13
No	0
Don't Know	8
Not applicable	12

Other changes to the EP Regulations Charging Scheme

Question 8: Do you agree with our proposal to make the specified changes to the EP Regulations charging scheme?

Responses to question 8	Number of responses
Yes	24
No	3
Don't Know	3
Not applicable	3

(Withdrawn) Changes to the way we score and assess compliance

Question 9: Do you agree with our assessment of the impact of the specified changes on subsistence charges?

Responses to question 9	Number of responses
Yes	8
No	6
Don't Know	1
Not applicable	7

Public participation statement

Question 10: Do you agree with our assessment of the impact on application charges of changes to the High Public Interest criteria set within our Public Participation Statement?

Responses to question 10	Number of responses
Yes	10
No	4
Don't Know	10
Not applicable	5

Change to charges for PCB regulation

Question 11: Which of the following three charging bands are relevant to you? (Please select 'Don't know' if you are unsure which of the three bands are relevant to you, or 'Not applicable' if you are not responding on behalf of an operator involved with PCB registrations)

Responses to question 11	Number of responses
Operator with 1 to 5 sites and less than 150 items	4
Operator with more than 5 sites less than 150 items	0
Operator with 150 or more items (any number of sites)	1
Don't Know	2
Not applicable	25

Question 12: Do you agree with our proposal to move from the existing single charge of £155 to the three banded charges of £2,905, £3,983 and £7,785 to fully fund our domestic and international regulatory obligations?

Responses to question 12	Number of responses
Yes	1
No	6
Don't Know	5
Not applicable	20

Water Abstraction: Dee and Wye standard unit charge

Question 13: Do you agree with our proposal to increase the Dee and Wye Standard Unit Charge?

Responses to question 13	Number of responses
Yes	2
No	1
Don't Know	1
Not applicable	25

Amendments to EU Emissions Trading Scheme

Question 14: Do you agree with our proposal to amend the EU ETS charging scheme to include an abatement provision?

Responses to question 14	Number of responses
Yes	17
No	0
Don't Know	0
Not applicable	15

Amendments to Waste (Miscellaneous) Charging Scheme

Question 15: Do you agree with our proposal to amend the Waste (Miscellaneous) charging scheme?

Responses to question 15	Number of responses
Yes	13
No	0
Don't Know	1
Not applicable	17

Annex 2: List of consultation respondents

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

- Anglian Water Services
- Atomic Weapons Establishment plc
- Babcock International
- Biffa Waste Services Limited
- Brett Group
- Bristol, Clifton & West of England Zoological Society Limited
- Canal and River Trust
- CF Fertilisers UK Limited
- EDF Energy
- Energy UK
- Environmental Services Association
- Esseco UK Limited
- FCC Environment
- Food and Drink Federation
- Hills Waste Solutions Limited
- Leicestershire County Council
- Low Level Waste Repository Limited
- Lucite International UK Limited
- Magnox Limited
- Ministry of Defence, HM Naval Base, Devonport
- National Farmers Union
- Natural England
- Nuclear Industry Association
- Oxfordshire County Council
- RWE Generation UK plc
- Sellafield Limited
- South West Water
- Suez Recycling and Recovery UK Limited
- Tarmac Limited
- The Society of Motor Manufacturers and Traders
- United Utilities
- Urenco

- Valpak Limited
- Veolia UK
- Viridor Waste Management Limited
- Westbury Environmental Limited
- Wood Recyclers Association
- World Fuel Services
- Yorkshire Water

Annex 3: Impact assessment of proposed closed landfill charges

As part of the Strategic Charging Review the EA did an economic impact assessment that was focused on the impacts of the charging proposals on the regulated sectors. The first stage of the assessment considered sector wide impacts. The second stage included more detailed analysis of the impacts of the proposals on barriers to entry and specifically on potential impacts on small and medium enterprises (SMEs).

To more closely examine the impacts of the charging proposals on operators of closed landfill sites, we have undertaken some additional analysis of the proposals for closed landfill sites.

The closed landfill sector

There are approximately 1200 permits for closed landfills. Around 300 of these are held by major landfill operators, 170 are held by local authorities, other public bodies and the third sector (National Trust, Canal and Rivers Trust, etc.), some 100 by other organisations and well-known large companies (e.g. water companies, etc.) and the remainder are held by a mix of medium to large companies, SMEs and, in some cases, individuals.

Impact assessment

Methodology

We have reviewed data on closed landfills, considering the current level of charge and proposed charge. We have analysed the data to assess the potential impact of the charges on the owners of the sites.

We have looked at the additional charge that companies will pay under the proposal and their turnover in order to assess the potential impact of the increase.

For companies that own more than one site, we have calculated the total amount they will pay for all their closed sites. It is worth noting that not all of the charges are increasing, and for operators holding multiple sites some of the increases will be offset by the decreases.

As part of this impact assessment we have only considered the impact on private companies and individuals. We have not looked at the impacts on local authorities and other public sector bodies as public bodies are funded differently and therefore the affordability of charges is assessed under different criteria.

Financial information has been taken from publicly available sources (Companies House).

Results

We looked at the impacts of the increases on the groups of operators as described above.

The table below provides an overview of the changes in charges and the impacts for the different groups of operators:

Operator group	Number of permits	Total change in charge	Impact
Large waste companies*	293	£124,621	Some companies will have their charges significantly reduced. For others, the average increase per site would be approximately £1,500, therefore we do not anticipate any impact.
Local authorities & third sector	167	£107,191	Impact not assessed using this methodology.
Large companies (including water companies)	93	£30,851	Some companies will have their charges significantly reduced. For the others, the average increase per site would be small, therefore we don't anticipate any impact.
Other companies	633	This category includes a number of SMEs, therefore a separate assessment of impacts on them is presented below.	
Total	1186		

* Some companies will see large net decreases, which obviously affect the totals.

For the major landfill operators, the annual increases will have no significant impact when compared to turnover. These are companies with turnover around £1 billion, therefore the average increase per site will not have a material impact.

Water companies and other major businesses will similarly also not be significantly negatively impacted.

The group that is most likely to experience negative impacts are the SMEs that are part of the "other companies" category. Identifying which of these companies fall under the SME definition is not simple, mainly because most of these companies do not publish their accounts. We therefore had to make some assumptions.

There are 633 permits in the "other companies" category held by 500 operators. For 55 operators (holding 95 of these permits), the charges will reduce, therefore we excluded these permits from the assessment. The rest are held by a mix of public limited companies (plcs), limited and non-limited companies and some unknown operators. We assume that all non-limited companies are SMEs and therefore may experience a negative impact from the increases. There are 186 non-limited companies.

The table below summarises the results for the impacts on SMEs:

Other companies category	Number of permits	Number of operators	Comment
Total number of permits	633	500	-
Unknown	6	6	We don't have information on these permits.
Non-limited companies	194	186	These are assumed to be SMEs and there may be a negative impact.
Public limited companies	16	12	These are large companies so there will be no material impact.
Limited companies	417	296	-
Number with net decrease in charge	96	55	-
Number with £0 charge in 2017*	29	20	-
Remaining	292	221	-
Number of SMEs in a 50% sample	55	47	Possible negative impact.
Number of SMEs in the limited companies	110	94	Possible negative impact.
Total number of SMEs	304	280	Possible negative impact.

There were 296 limited companies remaining holding 417 permits. We excluded the permits for which charges are decreasing and also the ones where there are local issues with the 2017 charges. In order to identify the SMEs, we randomly selected a sample and checked their published accounts. Companies with turnover <£1 million were considered to be SMEs. 121 companies were reviewed; 47 were found to be SMEs, which was 39% of the sample. This suggests that around 100 of all these limited companies are SMEs. When we then add in the 186 non-limited companies, we conclude that there are a total of 304 permits (or 26% of the total) held by 280 SMEs that may experience negative impacts.

We have looked at the companies holding more than one permit to assess the cumulative impact of increases on the operators. Most of the operators in the sample holding more than one permit do not fall within the SME category. There are 7 SMEs that hold 2 or more permits; we have looked at their total increase in charges and they are an average of £1,100, which while not a large amount may have a negative impact on some of these companies.

The table below summarises the changes in charges for the permits in this category. The total changes in charges for limited companies are low; this is because even though the number of charges decreasing is relatively small, the amounts of the decreases are large, while the amounts of the increases are relatively small.

Company type	Total change in charge	Range of charge increase
Unknown	£2,411	£366
Non-limited companies	£120,038	£73 - £2,864
Public limited companies	£1,657	£123 - £2,691
Limited companies	£12,549	£53 - £2,844
Total	£136,655	

From the analysis above we can conclude that there are up to 280 SMEs that are facing increases in charges between £53 and £2,864. The financial information available for these companies does not allow us to assess the exact impact of these changes for the companies involved, but we can assume that there will be some negative impact.

Costs of aftercare

A study commissioned by Defra has investigated the environmental and financial issues associated with the aftercare of landfills in England and the feasibility of reducing the length of the aftercare period. The report provides analysis for the whole (historic and permitted) UK landfill population. There is a significant difference between the operating aftercare management costs of a dilute and disperse/attenuate (non-contained landfill) and that of a contained (lined and capped) site, reflecting the different aftercare requirements primarily around the removal of landfill leachate.

The initial numbers show the costs associated with aftercare particularly for lined sites can be as much as £200,000 per year. Putting this into context, the increases that we are proposing in options 1 and 2 reflect a tiny percentage increase based on the overall annual costs for large operating companies with multiple permits.

For companies that hold sites that are not lined, aftercare costs are not as high, but are still in the range of £25 - £35,000 per year. We anticipate that some two thirds of closed landfill sites will therefore have aftercare costs in the £25,000 to £200,000 range.

For smaller inert sites with minimal aftercare costs, i.e. no gas or leachate management or monitoring, the increase in charge we are proposing does have a bigger impact on the overall costs. We anticipate that the permits held by SMEs will fall into this group, but we don't have enough data to assess the exact impact.

Accounting provisions

Larger companies that responded to the consultation provided some further information and quantification concerning what the proposed increases in charge would mean for their accounting provisions. This indicates that additional provisions of some £8m may need to be made. The companies did not provide detailed information of their own, individual provisioning policies, nor any detailed quantitative impacts. Smaller companies and other respondents concurred with or chose not to comment on our assessment of economic impacts.

We have taken note of the impact of accounting provisions in considering whether to take forward charge proposals. We note the views of some consultees that they do not think they can avoid this impact through their own action. We are aware that the scale of increase is likely to be about £8m and not likely to exceed £24m and that the impact falls mainly on the larger companies in the sector. We note this adds to some £600m existing provisions known at those larger companies. As we know that smaller companies and thus most SMEs do not make these accounting provisions in this way, the impact for them may not be material.

Conclusions

Our analysis shows that the impact of the closed landfill charges on the owners of the sites will be mostly negligible for the majority of the sites. For large operators who own a number of sites, the total increase is very small when compared to their size and turnover and also as a proportion of the total operational costs of closed landfills. It does appear that a few operators will face an increase in accounting provisions, adding a small percentage to their existing provisions.

For single operators and especially SMEs the impacts may be more significant. The difficulty in getting financial information for these site owners means that we cannot assess the impacts accurately. However, the actual amounts of money required under both options are not large.

The majority of these SMEs are closed landfill sites classed as “inert”. The new charge for these will be £663 or £1,105, meaning an annual increase of £366 to £808, or £30 to £70 per month.

We do not anticipate any wider economic impacts from these proposals.

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