

09 July 2015

Paper Title	Charges Consultation Proposals – 2016/17 & 2017/18
Paper Reference:	NRW B B 42.15
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Purpose of Paper:	Decision
Recommendation:	To approve : - the proposal to have one-year charging schemes for 2016/17 and 2017/18 - the proposals put forward for baseline charges, technical changes & new charge schemes for 2016/17 - the delegation of key decisions for the 2016/17 consultation exercise and future Charging Strategy to the Charges Sub-Group of the Board
Decision Required:	Yes

Impact:	Impact on the Environment: Developing one-year schemes over the period 2016/17 – 2017/18 will allow us to implement new fees for key areas such as Marine Licensing and Pre-application / Planning advice in 2017/18. We also propose to introduce Poor Performer Multipliers for consistently poor operators. This will result in more incentive for improved environmental performance, which is good for the environment. Impact on the Economy: Minimal movement in baseline charges over the next two years gives certainty to our customers over this period. Impact on Community: No specific impact on community Impact on Knowledge: Whilst implementing these one-year schemes, we will
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	simultaneously develop a new, more simplified Regulatory Charging Scheme from 2018/19 onwards. We will gather the relevant evidence and liaise with stakeholders to ensure that the development is evidence-based and the resultant scheme is fit for purpose.
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Issue

1. We launched our first Natural Resources Wales Charging Scheme on the 1 April 2015 for the financial year 15/16. We are required to periodically review these schemes and consult upon any proposed changes. As this first scheme was only a one-year scheme we are required to develop a charging scheme for 16/17 and beyond.

Background

2. Our regulatory work is funded through the charges we raise for environmental permits and licenses. We are legally required to do this and use a system of charge schemes to recover the costs of our main regulatory services from the operators we regulate, resulting in an income stream of approximately £35m per annum.
3. We have further committed to undertake a major review of our charging scheme over the next two years to develop a more innovative and simple scheme for use after April 2018. Our aim is to have a more transparent and easy to use scheme that incentivises good environmental performance and can be used effectively by both staff and customers. We will seek to reduce the regulatory burden on businesses whilst still providing reassurance that tough action will be taken against those who fail to meet acceptable standards. The scheme will recover the full cost of all the chargeable activities we undertake and will streamline those charges where possible.
4. All of our future charging schemes will continue to be based on our regulatory principles to ensure we meet the requirements of the Regulators Code. They should also seek to ensure that the Charging Principles are embedded to give businesses longer planning horizons and stability with the proposed charges whilst looking to keep charges as low as possible.
5. We initially wanted to propose a 2-year charging scheme over the period 2016/17 – 2017/18 which would have freed up resource to develop and implement the new Charging Strategy for 2018/19 onwards. However, this approach would have precluded us from implementing new fees for key areas such as Marine Licensing and Pre-Application / Planning advice in 2017/18 as we are not yet in a position to consult on the detail of such charges in 2016/17. We therefore propose **one-year** charging schemes over this period at the same time as undertaking the additional work to deliver the 2018/19 Charging Strategy. The timetable for the 2016/17 review can be found in Annex 1.
6. We have recently developed new activity language which will help to refine how we set our future fees and charges in terms of the cost-recovery of relevant permitting and compliance activities.

7. Business units are currently working through these activities and we expect to have the initial activity analysis available for cost-modelling in July. However, it is too early to use this evidence for the setting of fees in 2016/17, particularly as there is significant ongoing transformation across operational units. Ultimately we want to avoid any fluctuations in fees. As such, we propose to keep changes to baseline charges to a minimum in 2016/17, although we intend sharing the key outcomes of this analysis with our stakeholders, and will continue to develop our activity evidence base in readiness for 2017/18 consultation.

8. To summarise, we propose the following changes for 2016/17 :

- Baseline charges – maintaining the 2015/16 levels

- Technical Changes :

- EPR Waste & Installations :

Bands D, E, and F Poor Performer Multipliers – Introduction of a second tier of multipliers for consistent poor performers. To be applied when a site has remained in Band D, E or F for 2 consecutive years. Will continue to be applied until the site moves back into Band A, B or C. This will recoup income required to regulate these sites and will encourage better environmental performance.

- Abstraction Charges :

To introduce a charge for the 'Consent to Investigate' process undertaken prior to a Groundwater Abstraction Application being made.

These and other possible technical changes can be found in Annex 2.

- New Charges :

- Flood Risk Consents :

Due to come under the Environmental Permitting Regulations in October 2015. Up until now, a flat fee of £50 has been charged to process these applications but this doesn't reflect the effort currently incurred and we are therefore under-recovering. We are considering the regulatory effort required to satisfy the legislative requirements we anticipate the need to consult on proposals to introduce charges for the consents from 1 April 2016.

- Pre-application / Planning advice :

A considerable amount of work still needs to be done to develop a suitable charging scheme for this work and the intention this year is to set out our general principles for charging to be included within the consultation and then develop the details of the charging scheme over the next year.

- Marine licensing :

The provisions for us to charge for marine licences will move from WG to us by order if the Environmental Bill receives Royal Assent for introduction in spring 2016. We are therefore unable to consult on fees and charges for this activity until 16/17.

Next Steps

9. If the proposals are approved, we will proceed with our public consultation on our 2016/17 Charges & Fees over the period September – November 2015. This should also remove any Welsh Government concerns about the timing of the required approval from the Minister for Natural Resources in terms of the pre-election period prior to the Welsh Assembly elections in May 2016.

10. To do this we ask that the Charges Sub-Group of the Board is mandated to act on behalf of the Board in this regard. We will work closely with them in finalising the 2016/17 consultation proposals and developing the future Charging Strategy.

Risks

11. By continuing with annual schemes, we risk appearing not to listen to stakeholders who have asked for charges that are fixed over a longer period of time. However, baseline

changes will be kept to a minimum over this period and we will look to implement charges over a longer period when we develop our new charging schemes for 2018/19 onwards.

Financial Implications

12. By keeping baseline charges static next year, we risk generating surpluses / deficits on particular schemes. However, we will manage any such balances by 'taking one year with another' and will be in a position by 2018/19 to implement a simplified and more informed Regulatory Charge Scheme based on sound activity analysis evidence. This will smooth out any balances over the duration of the new scheme.

Communications

13. We are working with our Communications department to update the Communications Plan for the review and development of our charging scheme, which will outline communications objectives, target audience and key messages. We are using a range of methods to communicate including press releases, targeted e-mails, our website, intranet and stakeholder groups.
14. Our communications plan will be updated to reflect the implementation of one-year schemes up to 2018/19, and the relevant staff and stakeholders notified.

Equality Impact Assessment

15. EqlA not required

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Annex 1 – Charging Review 2016-17 Timetable
Annex 2 – Possible Technical Changes