

Charging Policy 2010 to 2013

April 2010

This Policy has been developed after extensive consultation and is designed to recover costs on the polluter pays principle and in accordance with government and treasury guidance. It reflects similar measures taken by other environmental regulators. From 1st April 2010, NIEA will limit fee increases in line with the GDP deflator on an annual basis for a 3 year period from April 2010 to March 2013, except where substantial revision is required. From April 2010, where new schemes are to be introduced or where substantial revisions to an existing scheme are required, consultation with stakeholders will be carried out.



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Chief Executive



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1. PURPOSE

1.1 The purpose of this policy document is to:

- set out the framework for the setting and revision of fees and charges;
- provide information on what NIEA funds from the charging schemes and explain how the money is used;
- describe the limiting of annual increases in line with the GDP deflator, for a three year period from April 2010 to March 2013, unless covered by separate consultation; and
- explain how NIEA is reviewing its activities and structures to ensure full cost recovery **and** deliver an efficient service to businesses.

2. INTRODUCTION

2.1 NIEA is responsible for the implementation and enforcement of environmental regulations, many of which require operators and their activities to be authorised and monitored. The Agency is required to achieve full cost recovery for such regulatory functions through the application of fees and charges on companies we regulate.

2.2 The Environmental Protection Directorate includes three units with the powers to charge for their regulatory function: Industrial Pollution and Radiochemical Inspectorate (IPRI), Water Management Unit (WMU) and Land & Resource Management (LRM). Collectively, these activities recover costs of approximately £5 million per year for the regulatory function, out of a total budget of £55 million for the Agency. This figure has grown significantly in recent years with the introduction of new regulatory responsibilities and controls and the requirement for full cost recovery.

2.3 NIEA is required to set charges for individual schemes and regulations. However, we recognise that the number and complexity of different charging arrangements and the processes and timeframes for their application can be challenging for businesses to keep abreast of. To address this, the Agency has carried out an assessment of its own schemes and that of sister agencies. This exercise has informed the direction of the Charging Policy.

2.4 This document outlines how NIEA fees and charges are set. It also shows how the Agency is working to recover costs while minimising the impact on business when carrying out its regulatory functions, and to provide more clarity and certainty for customers.

3. NIEA CHARGING POWERS

- 3.1 NIEA is funded by the Department of the Environment's allocation from the Northern Ireland block and also by income generated through the levying of fees and charges, where there are legislative powers to do so.
- 3.2 Charging schemes are designed to recover costs based on the polluter pays principle and in accordance with government and treasury guidance. In some instances, charges are set in UK-wide regulations for a limited number of common duties and these national schemes are applicable in Northern Ireland. However more commonly, environmental regulations are made specifically for Northern Ireland with powers to set fees and charges to cover the local regulatory costs associated with implementation.
- 3.3 Over the last decade, there has been a significant increase in new legislation relating to the environment, driven largely by EU Directives. Rapid growth in volume, and the urgency within which it was transposed, has resulted in numerous sets of primary and secondary provisions, and associated charging arrangements. This policy reflects similar measures to those taken by other environmental regulators who have moved towards co-ordination and simplification to provide greater clarity and consistency.
- 3.4 There are 15 Northern Ireland charging arrangements currently applied by NIEA (Appendix 1) which are affected by this new Charging Policy.

4. RECOVERING COSTS

- 4.1 NIEA's fees and charges are set in accordance with the Department of Finance and Personnel's guidance document '**Managing Public Money Northern Ireland**' (June 2008) which sets out the main principles for dealing with resources used by the public sector and the setting of fees and charges in Northern Ireland.
- 4.2 Charges are based on anticipated regulatory effort associated with the processing and monitoring of environmental authorisations, using average staff salaries, plus costs of accommodation and support services.
- 4.3 The operation of NIEA charging schemes is regularly reviewed and is subject to audit to ensure that fees and charges are determined and applied appropriately. Charging income is applied only to the function to which it relates. This means that charges relating to one regulatory activity cannot be used to subsidise another.
- 4.4 The standard approach to setting charges for public services is the requirement to achieve full cost recovery. These costs are incurred when undertaking an activity which is a direct or indirect result of the existence of an authorisation or when a permit holder benefits from the activity (e.g. research and development or IT systems).
- 4.5 Income raised through NIEA charging schemes must recover all costs which are incurred in carrying out our regulatory functions. These include the receipt and processing of applications, consultation with authorisation holders, the assessment of potential impacts on people and the environment and the issue of authorisations. It also encompasses compliance monitoring, review and variation of authorisation conditions, and the issue of warning letters and notices. Other costs include regulatory staff salaries, and the services needed to support them and their activities, such as accommodation, office services, IT, policy and guidance, process management, finance and personnel.
- 4.6 The development of systems such as information technology, guidance documentation and research and development are also deemed to be chargeable costs, although they have not generally been charged for to date. It is intended that future separate consultations will detail those chargeable costs that may be associated with each type of authorisation.

5. CHARGING FRAMEWORK

- 5.1 NIEA recognises the financial and other difficulties currently facing business and industry and the importance of being able to plan and budget for fees and charges. The Agency believes it is essential to strike a balance between being sensitive to the economic situation for business and industry while at the same time providing the necessary funding to support the duties which must be carried out to protect human health and the environment, and ensure even competition.
- 5.2 NIEA has identified a number of areas where existing charging schemes could be improved. Maintaining full cost recovery materially affects the ability of the Agency to deliver its regulatory responsibilities and provide adequate compliance assistance and service to regulated businesses. Therefore, some of these schemes will be subject to significant revision.
- 5.3 NIEA proposes to **limit fee increases in line with the GDP deflator** on an annual basis for a 3 year period from April 2010 to March 2013. This will allow the Agency to reflect increasing costs to some degree while a more substantial assessment of individual charging arrangements is carried out, where required.
- 5.4 When developing the Charging Policy, NIEA looked at a number of economic measures of inflation, including the GDP deflator, the Retail Price Index (RPI) and Consumer Price Index (CPI). The GDP deflator is considered the most comprehensive measure of inflation since a wide array of goods and services are included in its construction. It is the least volatile of the existing measures and provides a more balanced indication of the impact of changes on prices. The GDP deflator has typically been 2-3% over the last 2 years. The use of the GDP deflator allows NIEA to take a more balanced approach to charging, by locking into the current economic situation and so reflecting current costs being incurred by the Agency.
- 5.5 The GDP deflator series is produced by the Treasury from data provided by the Office for National Statistics (ONS). This policy will use the GDP deflator published by HM Treasury in January, for the third quarter of the financial year, as the basis for limiting annual increases for those existing schemes which do not require significant revision. This January figure is the most recent projected figure for the following financial year.
- 5.6 From April 2010, where new schemes are to be introduced or where substantial revisions to an existing scheme are required, consultation with stakeholders will be carried out simultaneously, through single or parallel consultation papers. This will allow businesses, some of which may hold a number of authorisations, to more easily establish the likely total impact of the proposed changes to their costs for the forthcoming year.

- 5.7 NIEA will publish all its fees and charges for the forthcoming year and all consultations on the Agency website on a dedicated Charges webpage at http://www.ni-environment.gov.uk/business_and_industry-2/charges.htm.

6. DELIVERING BETTER REGULATION

- 6.1 NIEA is fully committed to the Better Regulation agenda, as outlined in its position statement "Better Regulation for a Better Environment (March 2008)". The Agency is currently exploring the use of a range of regulatory instruments, such as standard permits for less complex activities, as well as wider use of simple registrations, which would attract different levels of charging.
- 6.2 The development of on-line applications is an important step in improving the efficiency of the NIEA authorisation process and providing a speedier service to customers. By early 2010, over 30 of NIEA's application forms will be available for completion, submission and payment online.
- 6.3 The Agency is directing its efforts and resources to those operators and activities which pose the greater risk to the environment. Charges should reflect the amount of time and effort that goes into regulating an authorised operator or activity and reflect the risk posed. To assist in determining an operator's risk profile, a risk assessment model has been developed, which looks at the complexity of the activity, compliance and performance record, site management and sensitivity of the local environment. The model will be populated and tested over the next 12 months with a view to developing risk-based charging schemes, which will undergo full public consultation within the period of the Charging Policy.
- 6.4 NIEA is continually seeking ways to assist compliance and improve environmental performance throughout Northern Ireland's regulated industry. The review of NIEA's charging schemes and those of the other environment agencies indicates that there is potential for NIEA to include a more flexible mix of chargeable regulatory activities beyond the normal "licence and inspection" roles, where appropriate. There is an increasing expectation for more sector-specific guidance and compliance assistance, tailored to the needs of the industry, and for more sophisticated IT solutions to meet permit requirements which would be of benefit to regulated industry. Other agencies are increasingly using fees and charges income to fund these activities where it is felt that the environmental outcomes will be improved.
- 6.5 To ensure that the Agency is as efficient as possible, a comprehensive review of its structures and organisation is now underway. This will examine current corporate and command structures, additional statutory responsibilities, the implementation of Better Regulation and recommend

options for organisational change that will provide flexibility, governance and management arrangements to meet changing economic and environmental pressures.

7. NIEA CHARGING POLICY DEVELOPMENT 2010 – 2013

- 7.1 The full list of the current charging arrangements for which the Charging Policy would apply is provided in Appendix 1.
- 7.2 The assessment of current fees and charges exercise carried out revealed that some of the schemes require fuller investigation and interrogation of their function and applicability. In addition, the Agency is exploring a number of regulatory areas carried out by NIEA teams for which there is currently no charge applied but where cost recovery may be appropriate. In circumstances such as these, full consultation will be issued as outlined in section 5.6.
- 7.3 Once a scheme has been developed or revised, it will then be subject to the GDP deflator increase, following annual review.
- 7.4 It is intended that the Charging Policy will be reviewed for its suitability and function in 2012, to determine the approach for the period 2013-2016. This review will be accompanied by full consultation with industry and other stakeholders.

8. SUMMARY

- With effect from 1st April 2010, NIEA will limit fee increases in line with the GDP deflator on an annual basis for a 3 year period from April 2010 to March 2013, except where substantial revision is required;
- From April 2010, where new schemes are to be introduced or where substantial revisions to an existing scheme are required, consultation with stakeholders will be carried out in tandem, through single or parallel consultation papers;
- In 2012 NIEA will assess the suitability of schemes for the introduction of risk-based charging and wider services; and
- NIEA will publish all its fees and charges for the forthcoming year and all consultations on the Agency website on a dedicated Charges webpage at http://www.ni-environment.gov.uk/business_and_industry-2/charges.htm.

Appendix 1:

Current Arrangements to which the new Charging Policy will apply

- Pollution Prevention and Control (Industrial Pollution and Radiochemical Inspectorate) Charging Scheme (Northern Ireland 2009)
- Radioactive Substances (Fees & Charges) Scheme (Northern Ireland) 2009
- Fees and Charges in respect of Costs associated with the regulation of Discharges made by NIW – Scheme No 1
- Discharge of Effluent into Waterways and Underground Strata (Fees & Charges) Scheme (Northern Ireland) 2005
- Food and Environment Protection Act 1985, (FEPA) Part II, Deposits in the Sea
- Water Abstraction and Impoundment Licensing Fees & Charges Scheme
- Waste Management Charging (Northern Ireland) Scheme 2009/10
- Waste Management Licensing Regulations (Northern Ireland) 2003 and amendments (2006 & 2009)
- Controlled Waste (Registration of Carriers and Seizure of Vehicles) Regulations (Northern Ireland) 1999
- Waste Electrical and Electronic Equipment (Waste Management Licensing) Regulations (Northern Ireland) 2006
- Producer Responsibility Obligations (Packaging Waste) Regulations (Northern Ireland) 2007
- The Waste Electrical and Electronic Equipment (Charging) Regulations (Northern Ireland) 2006
- The Waste Batteries and Accumulators (Charges) Regulations (Northern Ireland) 2009
- Hazardous Waste Regulations (Northern Ireland) 2005
- Polychlorinated Biphenyls (PCBs) Regulations Charging Scheme

There are also a number of UK schemes with charges set in UK regulations and which are applicable in Northern Ireland.

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