

NRW Charging Scheme Proposals – 2023/24

Natural Resources Wales seeks Ministerial approval for proposed changes to its statutory charging schemes for 2023/24 and, where stated, explicit Ministerial approval for proposing waivers or charges that do not realise full cost recovery.

Introduction

Natural Resources Wales (NRW) must have approved statutory Charging Schemes in place for the financial year 2023/24. We currently recover approximately £39 million through our regulatory charging schemes directly from charge payers for the regulatory service provided.

NRW's charging schemes are based on the principle of cost recovery in line with *Managing Welsh Public Money*, HM Treasury rules and obligations under the Natural Resources Body for Wales (Establishment) Order 2012.

NRW seek to ensure that where we are legally able to do so, the cost of our permitting and compliance work is recovered from those we regulate and avoids subsidy through general taxation. Cost recovery helps ensure NRW is better able to regulate and protect the environment of Wales contributing to the Sustainable Management of Natural Resources. The funding framework in Wales will however need to evolve further in the future, challenging how we value our environment, the service it provides and incentivise behaviours which bring about longer-term outcomes.

To comply with *Managing Welsh Public Money*, NRW needs to fully recover costs, making sure NRW apply the right charges for the regulatory services provided, in a fair and appropriate manner. Some of the revisions proposed in this paper will result in NRW not reflecting full cost recovery principles in some regulatory services, which requires explicit Ministerial approval.

Overarching Statement

NRW is committed to continually improving our processes making them as streamlined and efficient as possible, providing a valuable service and a reduced burden on business. NRW does this by challenging itself, learning, seeking feedback from

customers and trying innovative approaches. This has helped deliver efficiencies however our regulatory services remain under financial pressure. NRW's aim is to provide a valued, resilient service delivering outcomes for Wales while being less dependent on general taxation.

When setting our charges, NRW adhere to accepted standards including the Welsh Government's *Managing Welsh Public Money*. NRW work closely with other regulators to help achieve consistent approaches and where possible maintain a level playing field for business. Clearly NRW has a unique remit, organisational structure and legislative objectives compared to other UK regulators which may result in divergence of policy and approaches as we adapt to priorities for Wales. Direct comparison between regulatory bodies therefore is not straightforward because charges can differ for a variety of reasons affecting our cost base. For example, policy development cost does not scale easily because we often have an equal policy development ask spread across fewer customers compared to other UK regulators. NRW is committed to producing transparent costings for our charging schemes and regularly engage stakeholders in development of approaches.

During August and September 2022 NRW discussed its proposals with our Chargepayer's Consultative Group before holding a 12-week public consultation between October 2022 and January 2023. Following feedback, we have decided to make three changes to the proposals and seek approval to proceed as set out below.

NRW has included in this submission a summary of the matters raised during the consultation and NRW's justification for decisions made.

Existing Charging Schemes

NRW has a number of charging regimes in relation to the wide variety of activities that we regulate across Wales, which consist of permitting, subsistence and registration elements.

Standard Regulatory Charges

The table below shows the total income received by NRW regime to fund regulatory work.

Environmental Permitting Regulations (EPR) charges	Annual Income = £14.3m
Our statutory charging scheme covers licences and permits for waste facilities, installations, mining waste operations, waste exemptions, mobile plant, water quality (discharges to water and groundwater), radioactive substances, waste registrations and other miscellaneous charges and funds our regulatory work in respect of these activities.	
Abstraction charges	Annual Income = £20m
Our statutory charging scheme covers abstraction licences and funds the costs incurred in ensuring water resources are managed effectively.	
Control of Major Accident Hazards (COMAH) charges	Annual Income = £0.1m
These charges cover the costs of our Regulation as a joint competent authority with the Health & Safety Executive in the control of major accident hazards.	
UK Emissions Trading System (UK ETS) charges.	Annual Income = £0.3m
We regulate the EU ETS in Wales and raise charges to recover the costs of this work	
Marine Licensing	Annual Income = £0.3m

A marine licence is required before carrying out any 'licensable marine activity' in Welsh waters, generally relating to dredging, disposal & construction. This income is raised to fund the regulation of these activities.

Regulatory Charges classed as taxes

In addition to the above, there are specific NRW charging regimes where the income is classed as a 'tax', by HM Treasury rules. There are agreements in place that allow these taxes to be kept funding specific regulatory activity.

Rod Licensing	Annual Income = £1m
Income from the sale of these licences funds our work of managing fisheries.	
Hazardous Waste	Annual Income = £1.1m
This income comes from registrations of Hazardous Waste Producers and their quarterly returns and funds our regulatory activities.	
Waste Carriers, Brokers & Dealers	Annual Income = £0.3m
This is part of the EP Charges scheme and derives from the registrations of waste carriers, brokers, and dealers. This income funds the cost of delivering this activity.	

We also raise in the region of £1.7m for Internal Drainage Districts although there is a separate consultation for IDD's outside of this general consultation.

Proposed Changes for 2023/24

NRW propose to increase the amount of money collected from its statutory charging schemes to ensure they reflect full cost-recovery, to deliver NRW's regulatory approach and the outcomes needed for the Welsh environment and green recovery.

NRW's proposed charges are underpinned by the evidence presented from our working activities. NRW reviewed and challenged the time it takes for each part of a permit determination process from logging an application through to the assessment, peer review and issue of the permit. This allowed cost models to be produced for each permit type. Where NRW's review has identified efficiencies or already implemented efficiencies in our proposals, they served to reduce the level of increase rather than result in any reduction in charge level proposed. NRW has sought to keep charges as low as possible whilst addressing the shortfall.

NRW's charging proposals have been developed through a process of extensive background research and ongoing discussions with Welsh Government, stakeholders and other UK regulators. NRW regularly meet and discuss these proposals with the Chargepayer's Consultative Group, consisting of stakeholders from trade and representative organisations. This helped NRW to develop the charging strategy and schemes.

Application charges

The vast majority of NRW's proposals relate to changes to one-off application charges. NRW propose to change or introduce charges in the following areas.

- a. Industry Regulation Installations
- b. Non-nuclear Radioactive Substances
- c. Medium Combustion Plant
- d. Reservoirs

- e. Site-based waste
- f. Species licensing
- g. Water quality
- h. Water resources.

Tables 1 to 8 in the revised charging table document contain the details of the charge proposals for each of these areas and a consolidated list of all charges.

In addition to charges which continue to be implemented under existing legislation, NRW is proposing to introduce some new charges using powers under Article 12A of *The Natural Resources Body for Wales (Functions) Order 2013*¹. This allows NRW to charge for the goods, services and facilities that they provide.

By modifying current charges and introducing new charges where no scheme currently exists, NRW will ensure that regulatory services are paid for by those who use them and not by the taxpayer or other charge payers.

Waivers

NRW has proposed to waive charges for certain application charges in 2023/24, as outlined below. NRW request explicit Ministerial approval for the introduction of species licensing waivers and the continuation of waivers in water resources, as outlined below.

a. Species licensing

NRW proposes to offer four categories of waiver under the species licensing application charges in 2023/24.

- Waiver A – Conservation, scientific research, and education
- Waiver B – Public safety, public health, and the prevention of serious damage to property
- Waiver C – Licences relating to the control of Invasive Alien Species
- Waiver D – Householder developments and developments to provide facilities and access for disabled people

NRW believes there is a clear argument against imposing charges on these types of activities, given they either relate to non-commercial activities, contribute directly to shared biodiversity objectives or are primarily intended to deliver other public goods. NRW is also mindful that charges could disincentivise beneficial activities or inadvertently incentivise behaviours that could damage the long-term prospects of the species under licence. The proposal and justification to introduce waivers for some species licensing activities received broad support from respondents to the consultation, as stated in the attached materials.

Species licensing is a new charging scheme and, with the implementation of waivers, NRW's proposed new charges in this area will focus on those that enable commercial activities. These are predominantly licences relating to European Protected Species (EPS) that are issued on the grounds of "*imperative reasons of overriding public*

¹ [The Natural Resources Body for Wales \(Functions\) Order 2013 \(legislation.gov.uk\)](https://legislation.gov.uk)

interest, including of a socio-economic nature” (IROPI). NRW estimate that EPS IROPI licences account for around 75% of costs in managing the species licensing regime.

Implementing these waivers will mean that some whole licence categories will not be charged for. For instance, where a licence is specifically for one of the purposes covered by a waiver, such as conservation. In other cases, it will mean that some applications for licences that are normally subject to a charge will be exempted from the usual charge. If NRW implement these proposals, guidance will be provided to make it clear to customers whether their application is likely to be covered by one of the waivers. Similar waivers are currently in place for species licensing in England.

b. Water resources

Under water resources legislation, NRW can subsidise regulatory activity within the regime. A proportion of annual water resources subsistence income can be used to pay for the cost of some permitting work and towards environmentally beneficial activities.

NRW proposes to continue offering waivers for some water resources application charges in 2023/24.

- Change of contact details
- Revocation of an abstraction licence
- Revocation of an impoundment licence
- Transfer of a licence to a new licence holder
- Variation of a licence to reduce the quantity of water authorised to be abstracted

Some activities are environmentally beneficial, and NRW wishes to encourage them. These include non-commercial activities undertaken wholly and exclusively for environmental benefit (excluding activities to deliver the Water Company National Environment Programme), such as the removal of weirs that impede fish migration, and the volume reduction of permitted water abstraction.

NRW believes that it would be counterproductive to introduce charges for these where income from subsistence can also cover our costs, so that other aims are also achieved in Wales, particularly in relation to the sustainable management of natural resources and the National Environment Programme.

Pre-application advice

NRW provide a basic pre-application service for advice, on certain types of permits and licences, to help customers understand what permissions they need and how to apply for them. This may include signposting to relevant forms or sources of information needed to prepare a quality application. It may also include advice on legal requirements, how to identify environmental risks and where to find established best practice guidance.

NRW is proposing changes to how basic pre-application advice is defined and offered. These proposals apply to all permits and licences NRW charges for, except for Marine licensing.

NRW proposes to formalise its approach to provide signposting only. Helping applicants to complete reports or carry out assessments of information during the pre-application phase may pre-determine or prejudice NRW's role in determining a permit application. NRW recognise that the accessibility and availability of signposting guidance differs across regulatory activities, and work to improve this will continue.

These proposals will not affect the bespoke advice applicants can request through NRW's Discretionary Advice Service², which is charged for using a standard hourly rate.

Annual subsistence charges

NRW's proposed changes to annual subsistence charges reflect inflationary pressures and forecasted deficit positions against the following regimes. NRW propose to implement a 6% increase for 2023/24.

- a. Abstraction Standard Unit Charges
- b. Water Quality Environmental Permitting Regulation subsistence charges
- c. Non-Nuclear Environmental Permitting Regulation subsistence charges
- d. Reservoir Compliance subsistence charges
- e. Flood Risk Activity Permits (combined application/subsistence charges)
- f. Control of Major Accident Hazards (COMAH) subsistence charges
- g. UK Emissions Trading Scheme (UKETS) subsistence charges
- h. Materials Recycling Facilities (MRF) subsistence charges.

Similar to NRW's approach to permitting charges, there will be a more detailed root and branch review of subsistence charges further down the line, to ensure cost recovery and to build in service improvements.

Any regulatory fees and charges not contained within this consultation will remain in place at current rates for 2023/24. Where NRW is prevented from cost recovering for some regulatory duties by policy and legislative barriers, these activities will continue to be funded by Grant in Aid money provided by Welsh Government.

Forecasted additional income

On the basis these charge proposals are approved, we have forecasted the following additional regulatory income for 2023/24:

Application charges

To be prudent, NRW has forecasted application income on the basis of achieving 80% of forecasted permitting volumes for 2023/24. This equates to around £2.5m of additional permitting income. While an increase in income for this area, it ultimately reflects a full cost-recovery position so will not increase permitting resource. However, it does free up resource elsewhere where subsistence charges have been covering this shortfall up until now.

NRW will allocate this money in the following ways.

² [Natural Resources Wales / Our service to developers](#)

- £1.4m to be allocated to Operations and Evidence, Policy & Permitting (EPP) front-line resource.
- £0.5m to be allocated to a full-time Regulatory Charges team that will provide the resilience required to conduct regular annual charge reviews and to do more detailed reviews for subsistence charge areas, ensuring full cost recovery.
- £0.3m to be allocated to Regulation service improvement.
- £0.3m to be allocated to existing deficit pressures.

This approach has been approved by NRW's Executive Team.

Subsistence charges

Applying a CPI increase of 6% to those specified regimes will raise in the region of £1.6m for 2023/24.

Most of this will apply to Water Resources (£1.2m), which will be utilised to offset increasing s20 reservoir operating agreement costs by Dwr Cymru Welsh Water. The remaining £0.4m allocated across the other regulatory regimes will service forecasted deficit positions.

Consultation

Prior to finalising the proposals for the 2023/24 scheme and starting formal consultation, NRW met with their established Chargepayer's Consultative Group (CCG) to discuss and develop the proposals. This approach is consistent with the approach taken in previous years. The CCG includes representatives from a wide range of business, industry, and sector groups. NRW values stakeholder input at this early stage to influence the proposals and ensure they are fully considered.

NRW sought views and opinions on the proposals for the 2023/24 regulatory fees and charges from 1 April 2023, as detailed in the supporting materials. NRW's public consultation lasted for 12 weeks and solicited 103 responses (93 to online survey and 10 by email) from the public and industry representatives. NRW welcomes this engagement and feedback.

The response rate is far higher than previous annual charging reviews. NRW believe this is in part due to early and continued engagement, the nature of change proposed, and awareness of our proposals through a detailed communications plan and high media and sector interest.

Key Response Themes – Scheme Changes

NRW procured an independent consultant to thematically analyse these responses without bias. A copy of this report is included.

The independent analysis of the 103 responses (93 to online survey and 10 by email) has generated the following general themes.

- a. Criticism of the timing of our charging proposals and large increases (too expensive)
- b. The suggestion that regulatory charges should be wholly or partially funded by GiA.

- c. The view that NRW should offer greater transparency on the charge models used to design the proposed fees and charges.
- d. The potential for increased charges to disincentivise good environmental behaviours and increase the type and scale of illegal or non-compliant activities.
- e. The view that NRW should do more to improve customer services, guidance and processes, and should look to make efficiencies to our permitting and wider regulatory services.
- f. The suggestion that poor performers and/or polluters should pay more for the regulatory services they use.

The analysis has also produced a series of regime-specific themes.

NRW has responded to the general and regime-specific themes in a public consultation response document, which is included.

Consultation responses will be shared with NRW's policy, operations and regulatory teams as appropriate, to consider any specific comments provided that are not relevant to the charging proposals.

Changes for Final Scheme

Following the consultation and a review of all feedback received, NRW proposals the following revisions to the proposals as consulted upon. These have been approved by the NRW Board.

a. Water Resources abstraction and impoundments

Feedback received from the consultation suggested that NRW's proposed new charges would be cost prohibitive for these types of applications. With regards to weir removals in particular, the concern is that this activity can cause environmental damage if not carried out sustainably.

NRW has approved a revision to retain the current 2022/23 application charges for non-commercial activity undertaken wholly and exclusively for the purpose of environmental benefit within Water Resources (excluding activities to deliver the water company National Environment Programme).

These charges are (see Table 6d)

- £135 for abstraction licences
- £1,500 for impoundment licences or transfer licences.

NRW estimates receiving five applications for 2023/24. The water resources subsistence charges will be used to fund the remaining cost of determining these applications.

b. Minor amendment charge for Species Licences

Feedback received during the consultation questioned whether some of the administrative charge tasks were too high as proposed, since they would not take long to complete.

NRW agree that some administrative tasks take less time than others and now propose to charge £73 for a minor amendment, which is limited to: a change of address, change of lead licensee, change of licensed ecologist or a change of licensed accredited agent.

A summary of the current and proposed charges (see Table 8)

- Current £0
- Proposed in consultation £133
- New proposal for minor amendments in this category £73

Using the amended charge will allow NRW to achieve full cost recovery. The potential income is £12.4k based on 170 minor amendment requests made to the Species Permitting Team in 2021/22.

Amending the charge for minor amendments is fair and proportionate. Unlike other regimes, these are frequent, non-complex changes that take no more than half an hour on average. This revision would not affect the charge for more complex amendments.

c. Consult on the tool for the implementation of installations charges

Through the consultation, NRW proposed a new way of calculating application charges for Installations that will replace the existing Operator Risk Appraisal (OPRA) system. Determination time can vary widely, and four charge bands were proposed to cover this. A new tool is being developed to assign applications to the appropriate charge band, depending on risk factors that make it more time consuming to determine. A list of the factors was included in the consultation, but not the detail of how the tool works as this had not been finalised and tested at that point.

Several consultees responded to say that while they broadly agreed with the proposals, they were unable to comment fully because the detail of how the tool would affect them was not available. NRW were advised by Legal Services that a secondary consultation is needed on the charge tool to assign the bandings. This aligns with consultation feedback on the transparency of our charges.

NRW would like the Minister to approve NRW's proposal to introduce the new tool and associated new banded charges during 2023/24, following a satisfactory consultation with the relevant chargepayer's. NRW will not achieve full cost recovery until the new banding tool is implemented. NRW will continue to receive OPRA based application charges at current levels until the new banding tool is implemented. All other Installation proposals are still proceeding on 1 April 2023.

Other considerations

The revisions to NRW's charging schemes are in consideration of the consultation response received. Specifically, in recognition of the financial impact our charging proposals might have on non-commercial and/or third sector organisations. Most responses highlighted that our proposed charges coincide with wider financial pressures, such as inflationary increases and increased cost of living pressures. While NRW recognises this, a failure to manage NRW's charging schemes to ensure they reflect full cost-recovery would impose significant resource implications, under resourcing, a reduction in NRW's technical skill base and a continued reliance on GiA.

NRW value and have fully considered matters raised and will set out our responses in a public consultation summary response document to explain why this decision was reached. A working version is provided with this submission. NRW intends to share this publicly, subject to Ministerial approval. The independent analysis of the consultation responses, undertaken on behalf of NRW, is also provided with this submission.

To operationalise these proposals from 1 April 2023, NRW is working to make sure that external webpages contain the revised charges. Regime-specific guidance is in development to notify customers and NRW's permitting and operational staff of changes to charging schemes and processes. Work is also ongoing with regards to the process and system amendments needed for payment and billing.

Given the volume of guidance and procedural changes required for the new Species Licensing charges and waivers, NRW is presently considering a phased implementation of this charging scheme. This approach, which would involve implementing charges and waivers for all Species Licensing types between 1 April 2023 and 1 July 2023, would help to ensure that the appropriate technical guidance, application forms, and charging, receipting and invoicing processes are in place. NRW will discuss and agree on this matter on 16 March 2023, and will inform the Minister if a phased approach is taken forward.

Circulated with this Ministerial submission

1. Link to 2023/24 consultation documents

[Consultation on our regulatory fees and charges for 2023/2024 - Natural Resources Wales](#)

2. NRW 2023/24 consultation response summary.
3. Independent 2023/24 consultation analysis report.
4. All proposed and current charges - revised post consultation - **Tables 1 to 8**