



guardians of drinking water quality

DRINKING WATER INSPECTORATE

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DWI Information Letter 08/2012

26 November 2012

To: Board Level and Day to Day Contacts of Water and Sewerage Companies and Water Companies in England and Wales

Dear Sir or Madam

OUTLINE OF THE DRINKING WATER INSPECTORATE COST RECOVERY REGIME

Purpose

1. The purpose of this letter is to update the industry on progress in relation to the introduction of cost recovery, the process and timetable of implementation and to request information necessary to the operation of the scheme.

Background

2. The policy proposal to enable the Inspectorate to recover the cost of its regulatory functions from relevant water suppliers was put forward by Defra in the consultation on the Flood and Water Management Bill in 2009. The majority of the consultation responses were in favour of proposed charging scheme at that time.
3. The proposal was removed subsequently from the Water Bill to reduce its size and then reintroduced through the Public Bodies Bill in 2010. A second consultation ran for 6 weeks and was published on both the Defra and DWI websites and was emailed directly to 33 key stakeholders in the water industry.
4. As the proposals affected a small clearly defined number of regulated businesses (29) it was decided that as part of this consultation process, in addition to the published consultation document, face to face discussion with representatives of those businesses would provide a more informed and focussed response. For this reason the Chief Inspector met with the Chief Executive Officers of the regulated businesses and the industry trade

association to discuss the proposals and obtain direct feedback. During this part of the consultation more detailed proposals on how the charging scheme would identify and allocate costs to each water supplier were developed including the principle of charging for specified regulatory activities by reference to a daily rate and for checking sample results by reference to a fee fixed for a standard number of sample results.

5. These agreed principles are reflected in the Public Bodies (Water Supply and Water Quality Fees) Order 2012 (the Order) which is currently before Parliament. Separate legislation is required for companies that are wholly or mainly in Wales, this is being prepared in parallel by the Welsh government, and it will be identical in its practical effect to the Order that will apply in England.

Broad principles of the charging scheme

6. The Order allows the Chief Inspector to levy fees in respect of four activities. These are:
 - a. Checking the sampling and analysis arrangements for water samples collected by the relevant water supplier (compliance assessment and related activities);
 - b. Checking the relevant water supplier's water supply management arrangements (audits or inspections);
 - c. investigating an event, incident, emergency or other matter;
 - d. investigating consumer complaints about the quality or sufficiency of the water supply.
7. For activity (a) the fee will be based on a fixed charge for each 100 sample results submitted and checked. The number of sample results will be the number of drinking water compliance sample results submitted by each company. The charge per hundred sample results will be published after ministerial approval which will be sought by the Inspectorate as soon as the Order is in place. It is anticipated that this "fixed" element will constitute the majority of the fees paid by the industry.
8. For activities b) c) and d), the fee will be based on a fixed rate for each chargeable period spent on that activity. This will be expressed in man days. To meet the industry's strong wish for a simple approach, the charge will be based on predetermined man day units for each activity multiplied by the number of those activities (audits, events, complaints) attributable to each company. The rate per chargeable period will be approved by ministers and then published when the Order is in place. It is anticipated that this 'variable' element will constitute the minor part of the fees paid by the industry.

Timetable for invoicing

9. The Order is scheduled to come into force on 1 January 2013 which means the Chief Inspector could charge from 2 January onwards. However, no charges will be levied until after April 2013.
10. At the end of May 2013, companies will be invoiced for activity (a) checking of sample results. This invoice will be in advance and related to results of samples submitted to the Inspectorate in the year April 2013 to March 2014, but calculated as an estimate based on the number of results of samples submitted for checking in the period April 2012 to March 2013. This corresponds to samples taken February 2012 to January 2013.
11. The number of audits, events and complaints cannot be reasonably predicted in advance therefore the invoice for activities b), c) and d) can only be issued in arrears. Accordingly, at the end of May 2014, companies will be invoiced for the actual number of audits, events and complaints that occurred in the period April 2013 to March 2014.
12. Also at the end of May 2014, a further invoice will be issued for activity a) for results of samples submitted to the Inspectorate in the period April 2014 to March 2015. Again this will be based on the number of sample results submitted in the previous period (April 2013 to March 2014) however it will also include any correction required in relation to the invoice issued in May 2013.
13. In future years, invoices will be in line with the principles outlined in paragraphs 11 and 12 above.

Request for information

14. In order to facilitate the invoicing process and ensure that all water suppliers are set up as customers on the Defra system, I should be grateful if all companies would complete section 2 and 3 of the attached form (A/AR 407) and return it by email to Peter Marsden (peter.marsden@defra.gsi.gov.uk) by 21 December 2012.

Enquiries

15. Copies of this letter are being sent to Pamela Taylor, Chief Executive, Water UK; Peter Jiggins and Chris Preston Department for Environment, Food and Rural Affairs; Olwen Minney, Welsh Government; Susan Petch, Drinking Water Quality Regulator for Scotland; Margaret Herron, Drinking Water Inspectorate for Northern Ireland; Tony Smith and Chairs of the Regional Consumer Council for Water; Noel Wheatley, Ofwat;

16. This letter is being sent electronically to Board Level and day to day contacts. Please acknowledge receipt by email to dwi.enquiries@defra.gsi.gov.uk. Hard copies are not being sent but the letter may be freely copied. Any enquiries about the letter should be made to Dr Peter Marsden, Principal Inspector – risk analysis.

Yours sincerely

A handwritten signature in black ink that reads "Pollard". The letters are cursive and connected.

Claire Pollard
Deputy Chief Inspector