

DWI Information Letter 03/2013

5 March 2013

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

COST RECOVERY: PUBLICATION OF FEES

Dear Sir or Madam

Purpose

1. The purpose of this letter is to inform the industry that the Public Bodies (Water Supply and Water Quality Fees) Order 2013 [England] and the Public Bodies (Water Supply and Water Quality)(Inspection Fees) Order 2012 [Wales] have been approved and published at http://www.legislation.gov.uk/uksi/2013/277/pdfs/uksi_20130277_en.pdf and http://www.legislation.gov.uk/wsi/2012/3101/pdfs/wsi_20123101_mi.pdf respectively. These orders enable the Drinking Water Inspectorate to recover the costs of its regulatory activities from relevant water suppliers. The schedule of fees for 2013/14 has been approved by the Secretary of State and this can be found at Annex A. This letter sets out the principles behind the calculation of the fees.

Background

2. The background to the cost recovery scheme, the broad principles of the charging scheme and the timetable for invoicing were set out in Information Letter 08/2012. Consultation with the water industry identified that water suppliers expressed a preference for a simple non-bureaucratic system. Additionally water suppliers agreed to the principle of charging for certain regulatory activities by reference to a fee for a daily rate and for the checking of sample results, by reference to a fee fixed for a standard number of samples.

General Principles

3. The fees have been calculated using a number of approximations based on the current staff related costs and resource allocations across teams involved in regulatory functions.
4. Non recoverable costs - these relate to the costs of our policy activities such as providing technical advice to Ministers and officials in Defra and Welsh Government on drinking water quality matters, including our involvement in national, European and international issues on drinking water safety and the management of research. They also relate to the costs of the Regulation 31 approval scheme for materials and substances in contact with water (for which a separate cost recovery scheme is already in place). In addition these costs cover our supervisory role of the regulation of private water supplies by local authorities. Our costs for these activities (currently about £0.5m pa) will continue to be funded by Defra and have been excluded from the calculation of fees to the Industry.
5. For activity (a) checking of sampling and analysis results submitted - this is the core compliance activity carried out by the Inspectorate and involves all inspectors and other staff who manage our water quality data and other reporting and communications support systems.. The current staff and system cost of this work stream is around £ 1.5m p.a.
6. For activities (b), (c) and (d) checking water supply management arrangements (audits and inspections), investigation of events, and consumer complaints – these tasks are also a core function of the Inspectorate, the nature of which usually involves travelling to company sites as well as a significant input and decision making by senior inspectors. The current cost of this work stream is about £0.4m p.a.

Derivation and scope of charges

7. The fee for each 100 sample results submitted and checked is based on the number of drinking water sample results submitted in the previous year by each company. It is anticipated that this “fixed” cost element will constitute the majority of the fees paid by the industry and, as set out in IL 08/2012, will be invoiced in advance. At the end of the financial year, any correction necessary for actual samples submitted will be accounted for in subsequent invoices. Water companies are reminded that the number of samples they must take and the parameters to be tested for is set out in the Regulations.
8. The fee for each chargeable period (day) will be based on the number of days required for each task. It is anticipated that this “variable” element will usually constitute the minor part of the invoice: however, there could be exceptional circumstances where this might not be the case; for example, heightened risk as evidenced by repetition of failures and serious or major events.

9. The fee for a chargeable activity will include not only time spent on site but also all time spent on preparation, travel, consequential decision making, and reporting or follow up actions, such as putting in place new or revised notices or statutory programmes of work (undertakings), reviewing progress reports or revised risk assessment reports; evidence gathering and communication with consumers and others stakeholders affected by a particular water quality event or consumer complaint.

Review of charges

10. The fees will be reviewed each year on or before 30 June. In particular, the fee per 100 sample results will be dependent on the total number of samples submitted by the industry as a whole in the previous year.

Enquiries

11. 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; Ian Barker, Environment Agency; Liz Stretton, Food Standards Agency; and Frances Pollitt at the Health Protection Agency.
12. 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



Claire Pollard
Deputy Chief Inspector