Environment, Climate Change and Land Reform Committee

Draft Budget 2018-19

Written submission from Scottish Environment Protection Agency (SEPA)

SEPA’s Statutory Purpose is to protect and improve the environment in ways that, as far as possible, also help create health and well-being benefits and sustainable economic growth. In delivering our Statutory Purpose, the Regulatory Reform (Scotland) Act 2014 provides SEPA with greater flexibility and new powers that deliver maximum benefit for the environment and people of Scotland.

Our Regulatory Strategy, One Planet Prosperity, explains how we will use these new powers so that we can set about the essential task of helping businesses to deliver compliance and reduce water, energy and materials use, and all forms of waste and pollution. To “operationalise” One Planet Prosperity, we are fundamentally changing our operating model to ensure that everything we do is designed to deliver our Statutory Purpose in the most effective ways possible. For example, we are developing sector plans for each sector we regulate that will shape the interaction we have with them. This will allow us to identify and take the most promising opportunities for environmental, social and economic success in that sector and to deploy our staff flexibly to where they can deliver the best outcomes. This approach will also provide a more efficient way to achieve compliance within each sector.

As the Convener’s letter noted, SEPA has published a new Corporate Plan 2017-2022. This describes the strategy we will follow and the fundamental changes we will make to the way we operate to deliver it. We believe that the ambition and commitment made in the Corporate Plan for the next five years is a far-reaching approach for an environment protection agency fit for the demands and opportunities of the 21st century. We also believe it will help establish Scotland as a global leader in delivering environmental success and drive real innovation in ways of working.

The Corporate Plan does not contain budget information as allocations are made on an annual basis. This is why, alongside the Corporate Plan, SEPA also publishes an Annual Operating Plan (AOP) which explains what we will do to deliver our strategy. The AOP is updated annually and presents our priorities for the year, expected income and planned expenditure.

We hope this allays the concerns you raised in your letter that SEPA’s Corporate Plan appears to be very light on funding. The following is also provided in response to your specific questions grouped under: Budget & resources; Consultancy services & external funding; and EU Exit.

SEPA budget & resources

Our Corporate Plan, AOP and priorities remain focused on delivering our Statutory Purpose. No public bodies expect substantive Grant in Aid (GiA) funding to increase, unless they have new duties.

The table below provides a breakdown of the principal sources of income and expenditure for 2017-18. Just under half of our income is from GiA and this funds
core services such as delivering our role as Scotland’s authority for strategic flood risk management, leading Scotland’s emergency air pollution response, the Airborne Hazards Emergency Response service, and various science evidence work. More than half of SEPA’s income in 2016-17 was generated from fees and other charges, which predominantly funds our regulatory work and associated scientific services, for example sampling, monitoring and analysis. Income from our charging schemes can only be used for recovering the costs of delivering our regulatory functions; SEPA is obliged to recover from operators the costs of regulating the activities for which they are responsible.

Work to review SEPA charging is currently out to consultation. We are implementing a better charging framework; one that is more risk-based, integrated and flexible and which helps to encourage good practice. Subject to consideration of consultation responses, the new charging scheme will come into effect on 1 April 2018 and will support the implementation of our Regulatory Strategy by increasingly recovering costs from those who are not compliant (thereby increasing the incentives for compliance) and further developing the link between charges and actual environmental performance.

Our 2017-18 budget includes estimated other income of c£5.8million. This includes:

- £0.6m - Revenue Scotland funding for Scottish Landfill Tax compliance work
- £0.3m - Department for Environment, Food and Rural Affairs funding for transfrontier shipment of waste
- £4m - River restoration funds (including Water Environment Fund)
- £0.46m - Facilities and salaries cost recharges
- £0.3m - Commercial Services (see below for more information)

and other recharges and miscellaneous income.

To deliver this work, SEPA currently has c1177 FTEs. This is c138 FTEs down from its highest point in 2009. As noted above, we are transforming how we organise the agency in order to deliver to best effect. This includes taking a planned approach to reduce staffing levels in areas where work has changed due to new approaches, or diminished.

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1 Grant-in-aid for 2017-18 is based on a cash element of £33,708,000 and a non-cash element of £3,072,000
2 For example, through our Contact Centre SEPA provides a lone working service to Scottish Natural Heritage, Loch Lomond and Trossachs National Park, Argyll and Bute Council and Historic Environment Scotland. Each of these organisations pay SEPA for providing this service.
We are greatly simplifying processes and procedures that mean our staff spend less time on bureaucracy and more time on delivery. We are prioritising resources to our regulation and flood risk management work by maximising efficiencies – for example by thinking carefully about what data we need to collect about our environment and how we go about collecting it, and through the introduction of simpler permitting processes. We are also using new enforcement tools that give us greater flexibility to bring businesses into compliance quickly and more cost effectively. The planned introduction of a new Integrated Authorisation Framework aims to integrate, as far as possible, the authorisation, procedural and enforcement arrangements relating to water, waste management, radioactive substances and pollution prevention and control. This will, for example, provide us with more scope for staff to work across regimes, thereby releasing efficiencies and allowing staff to be deployed flexibly to where they can deliver to best effect.

The framework will enable us to work in a more integrated way focusing on the environmental risks that matter the most. It will help us to bring all those that we regulate into compliance quickly, easily and cost effectively and also enable us to help as many businesses as possible to go beyond compliance.

We are already making structural changes to the agency to help focus our resources clearly on these priority services and strengthen the role of our local direct service delivery through our regional presence. Our People Strategy also helps ensure we have the right people in the right place with the right skills to operate effectively.

Consultancy services & external funding

Part of our strategy is the development of a small commercial services portfolio which leads on generating additional revenue by maximising external grant funding and developing and marketing global commercial opportunities, for example where we can use SEPA’s expertise to make a real difference internationally and share best practice with other nations.

Technical Assistance – Cyprus (SRSS) - A 10-month project providing direct support to the Cypriot authorities for three programmes of work:
- Establishment of a new legal and institutional framework for an integrated environmental permitting and inspection system
- Assessment of the system in place for oil pollution prevention and control*
- Conceptual design of an environmental impact assessment web platform.

This service is still at a very developmental stage and since its establishment in October 2016, income has been generated from a number of projects primarily supporting European Member States and accession countries to implement European environmental regulations. The majority of this work has been funded on a cost recovery basis through grants provided by the European Commission, for example Structural Reform Support Service (SRSS) (see box). Our aim in the first year was for the service to cover its costs and we are on track to do this. As part of the development of our AOP, we will review annually income generation from commercial services but that income generation is not our sole purpose and we see this work as an opportunity to share best practice and develop our staff.

Beyond Europe, SEPA is a partner of Scotland the Hydro Nation and continues to
work with Scottish Government and its agencies to deliver expertise in water resource management to partner nations.

In recent years we have benefitted from EU funding for specific projects, including two major LIFE projects. The award winning Scotland’s Environment Web (SEWeb) project (a “one stop shop” portal for environmental information in Scotland) was facilitated by an EU investment of €2.4m. The LIFE SMART waste project, which runs until May 2019, aims to identify new tools and approaches that help us and partners tackle and reduce waste crime attracted an EU investment of €2.1m.

In addition, we also look for opportunities to pool resources with other organisations, such as Scottish Natural Heritage and local authorities, to create practical benefits such as co-funding posts, influence service provision, or research projects where we have shared objectives in respect of environmental matters. A good example is our work with Stirling Council on the region’s city deal (see box).

We do not rely on levering in cash from other funding streams and partnership projects to support our core delivery, but it does enable us to promote innovation, add value, and extend our influence. As part of our commercial services work we will continue to pursue global opportunities, and grant funding.

**EU Exit**

At this stage, it is not feasible to plan in detail for the process of the UK Government’s proposed exit from the EU as there are many variables that could significantly affect the outcome. We are, however, adopting a broad framework for us to decide on appropriate actions and deployment of resources. Our objective is to ensure we continue to implement our statutory purpose by delivering our core services to the greatest possible effect while managing a competent EU exit transition in those areas where it will affect our work. We will also provide strong support for staff, particularly those EU nationals who work for us.

We are working closely with the Scottish Government during the process to prepare for an EU exit. We will work collaboratively with government and other public bodies through the Environment & Economy Leaders’ Group to achieve Scotland’s ambitions on the environment.

We will seek to ensure that the UK Government’s proposed exit from the EU does not distract us from delivering environmental protection and supporting Scotland’s world leading agendas on climate change and circular economy and will continue maintaining and, where possible, enhancing environmental standards post exit. As an Agency, we continue to recognise that a high quality environment is one of the key foundations of Scotland’s economic success.