

# Consultation on our Fees and Charges for 2016-17

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# Contents

1. Intro	oduction3
2. Chai	nges to baseline charges4
2.1	Key Messages4
2.2	Charge Proposals4
2.2	Abstraction – Environmental Improvement Unit Charge (EIUC)4
2.2	2.2 All other Schemes
3. Tech	nnical changes5
3.1 and	Technical changes to the Environmental Permitting Scheme (Installations Waste Facilities)
3.1	.1 EPR Waste Operations - Poor Performer Multipliers
4. New	Charges7
4.1	Environmental Permitting – Flood Risk7
5. Othe	er changes outside of this review10
5.1	Charging for Supplementary Planning Services10
5.2	Marine Licensing12
5.3	Energy Efficiency Directive12
6. Othe	er Matters to Note13
6.1 Sche	Links to Environmental Permitting (EP) Operational Risk Appraisal (OPRA) me
7. Res	ponding to this consultation13
7.1	How to respond13
7.2	Data Protection14
7.3	Next Steps14

Annex 1 - Definition of flood risk activity as defined in the draft Environmental Permitting (England and Wales) Regulations 2015

Annex 2 – Designated Sites

# 1. Introduction

Natural Resources Wales is the first organisation of its kind. Its purpose is to ensure that our natural resources and environment are sustainably maintained, enhanced and used in a way that is good for people, good for the environment and good for the economy.

This means that our remit is wide and includes providing a range of regulatory services. We are required by Government to recover the costs of these regulatory services from those we regulate, rather than being funded by general taxation. The fees and charges raised to cover regulatory costs account for approximately 20% of Natural Resources Wales total funding of £180m<sup>1</sup>.

Our Fees and Charges Scheme is reviewed regularly to ensure that our costs are covered and technical requirements are being met. You can download a copy of our existing charging scheme from our website<sup>2</sup>. As a result of our most recent review we are proposing to maintain the current levels of our baseline charges and to make some minor technical changes within specific charging regimes.

We have established a Charge Payers Consultative Group consisting of the various trade and representative organisations of our stakeholders, to discuss proposals and to develop a charging strategy and schemes for the future. We would like to thank those in the group for their commitment to represent their members by working with us in this way, now and in the future.

As well as following our regulatory principles<sup>3</sup> and the Regulators' Code, we are committed to the following principles:

- transparency of our charging decisions
- avoidance of cross subsidy between regimes
- providing longer term planning horizons wherever possible
- avoiding cycles of cutting then raising charges by actively managing our surpluses and deficits
- keeping charges as low as possible through a continued drive for increased efficiency

We are seeking your views and opinions on proposals for our fees and charges for 2016-17. This 12 week consultation will close on 26<sup>th</sup> November 2015 and the results will be used to inform our final scheme. This will be submitted to Welsh Government for approval with the aim of introducing the new scheme from April 2016.

<sup>&</sup>lt;sup>1</sup> Natural Resources Wales Corporate Plan

 <sup>&</sup>lt;u>http://naturalresources.wales/about-us/strategies-and-plans/corporate-plan</u>
www.naturalresources.wales/how-we-regulate-you/our-charges

<sup>&</sup>lt;sup>3</sup> www.naturalresources.wales/how-we-regulate-you/regulatory-principles

In addition to these proposals there will be a separate consultation for changes to rod licence duties for 2016-17. This will cover both England and Wales and will be a joint consultation with the Environment Agency

#### 2. Changes to Baseline Charges 2.1 Key Messages

Based on the proposals within this document, charges raised by Natural Resources Wales for 2016-17 will be maintained at current 2015-16 levels. We will endeavour to deliver sufficient efficiency savings to absorb inflationary and other pressures on our costs for 2016-17.

The exception to this is for the Environmental Improvement Unit Charge (EIUC), which will reduce to zero.

#### 2.2 Charge Proposals

As a new organisation Natural Resources Wales is still going through a period of transition and continues to review its services. This includes implementing end-to-end service reviews which will drive future efficiencies in our systems and processes. This will help achieve the saving targets identified in the business case for the formation of Natural Resources Wales, and will enable charges to be kept as low as possible.

From a charging perspective, we made a commitment in last year's consultation to develop our cost-modelling so that our long-term cost base becomes more certain and will increase the transparency of individual schemes to our stakeholders.

Following on from this commitment, we have recently developed a new charging model which will help refine how we set our future fees and charges in terms of cost-recovery. Our teams are currently populating this model and we expect to have this initial analysis available soon for cost-modelling purposes.

However, it is too early to use this evidence for the setting of fees in 2016-17, due to the significant amount of ongoing transformation across all parts of the organisation, and our wish to avoid any fluctuations in fees for our stakeholders.

As such, with the exception of the EIUC, we propose to maintain our 2016-17 baseline charges at existing 2015-16 levels. We will however continue to share the key outcomes of this activity analysis with our stakeholders, and will develop our cost base in readiness for the 2017-18 consultation.

We therefore propose the following changes to baseline charges:

#### 2.2.1 Abstraction – Environmental Improvement Unit Charge (EIUC)

The current 2015-16 financial year will be the last year whereby we levy the EIUC as a result of the *Restoring Sustainable Abstraction* compensation scheme. The purpose of this Scheme is to raise funding that would be used to compensate customers where we amend or revoke abstraction licences to prevent environmental damage. This fund will reach the required level for projected compensation payments by the end of 2015-16.

Therefore, this element (£8.69/1000 m<sup>3</sup>) will be removed from the annual Abstraction subsistence billing cycle for customers other than water companies in 2016-17, although the standard unit charge of £13.58/1000 m<sup>3</sup> will still apply to all Welsh abstractors (except those in the Severn catchment). Changes in the future may mean that we need to reinstate this charge, however this would be consulted upon at the appropriate time.

#### 2.2.2 All Other Schemes

All other charge levels will remain at 2015-16 levels, apart from the technical changes outlined within Section 3 of this consultation document.

However, please be aware that there will be a separate consultation on 2016-17 rod license duties. This will be a joint-consultation with the Environment Agency covering both England and Wales.

Question 1. Do you support the removal of EIUC charges on customers other than water companies for 2016-17?

Question 2. For all other Regulatory Schemes, do you support maintaining these 2016-17 charges at current 2015-16 levels, as we develop our cost-modelling approach and efficiency programme?

#### 3. Technical changes

# 3.1 Technical Changes to the Environmental Permitting Scheme (Installations and Waste Facilities)

We propose the following changes to the Environmental Permitting (EP) Charging Scheme for 2016-17.

#### 3.1.1 EPR Waste Operations - Poor Performer Multipliers

We use a tiered approach when assessing operator compliance, from Band A for the best performing sites through to Band F for the worst, and the annual subsistence fee is based on that compliance rating, and the extent of regulatory effort required from us. However, poor performing sites currently cost us more to regulate than we recover through charging, despite the current arrangement which increases fees by between 125% and 300%, dependent on the compliance band. Primarily, this is because we need to spend more time and effort in changing a poor performers approach to ensure the environment and people of Wales are protected. We do this through inspections, audits and monitoring as part of a Compliance Assessment Plan, which is developed for each site.

For example for an end of life vehicle dismantling site with an annual throughput less than 2,500 tonnes, the flat subsistence charge for 2015-16 is £779. If this site had a compliance banding of band E for 2014 the charge would be 150% of the flat subsistence, or £1,169. This would only fund just under 6 days of regulatory work. Whereas on a typical poor performing site of this type we would be more likely to spend around 27 days' worth of regulatory effort, equivalent to a subsistence charge of £5,400.

A recent study we undertook showed that it can take up to 43 days to regulate a poor performing site and although proportionally there are only a small number of poor performing sites, disappointingly many remain in the lower bands for some years.

The additional regulatory effort undertaken at these poor performing sites is currently funded through Grant in Aid from the Welsh Government. Increasing charges across the board would not be compliant with the 'polluter pays' principle as this would penalise good performing sites. We therefore need to increase charges to cover this work in a more targeted way.

To remedy this we are proposing to introduce a second tier multiplier where sites have been in the lower bands for the previous two consecutive years. These are detailed below in Table 1.

Table 1. Multipliers

Compliance Band	Compliance Band Multiplier		
	Current value for sites in	Proposed value for sites that	
	Band D, E and F	have been in Bands D, E and	
		F for two full years	
D	125%	200%	
E	150%	300%	
F	300%	500%	

The second tier multiplier will continue to be applied until the site moves into compliance Bands A-C. This change will provide the additional income required to fund the extra regulatory effort needed at these consistently poor performing sites.

Question 3. Do you think operators with chronic poor performance should pay more after two consecutive years?

Question 4. How should we reflect improving performance where operators move into a better performance band such as moving from Band F to Band E?

Question 5. How should we respond when operators swing between average and poor performance bands? For example Band C to Band E to Band C to Band D?

## 4. New Charges

#### 4.1 Environmental Permitting – Flood Risk

#### Background

The Water Resources Act 1991 requires Natural Resources Wales' consent to be obtained prior to certain works being carried out in, over, under or adjacent to a main river. It also prescribes the cost that Natural Resources Wales can charge for determining Flood Defence Consents at £50 per structure. This amount has not changed since 1991 and we are currently operating the consenting process at a financial loss with any shortfall being funded through Grant in Aid.

Amendments to the Environmental Permitting Regulations will see them extended to include Flood Defence Consenting, which will come into force in 2016. The amended regulations will introduce exclusions and exemptions which means that certain activities will be permitted in, over, under or adjacent to a main river without charge and without needing Natural Resources Wales' consent, providing certain conditions are met. Anything that is not an exclusion or an exemption will require a bespoke flood risk activity permit (further information on what a flood risk activity is can be found in Annex 1). Under the amended Environmental Permitting Regulations, Natural Resources Wales may introduce a charging scheme setting fees for applying for new bespoke permits, varying permits and for subsistence to recover the costs we incur. It has previously been agreed that Natural Resources Wales should seek the earliest practical opportunity to change the current charging regime and therefore we aim to have a new charging scheme in place by the start of the 2016-17 financial year.

#### **Our Proposal**

We are proposing a tiered scheme of application charges for bespoke flood risk activity permits. The scheme has been developed based on two main factors:

- 1. The type of flood risk activity proposed and the associated complexity and risk;
- 2. The location of the proposed flood risk activity from both a flood risk and environmental perspective.

The proximity of a proposed activity to the nearest non-agricultural building will impact on how long a permit takes to determine due to the need to assess the impact upon flood risk. In addition, if the proposed activity is within a designated site (a definition of designated sites can be found in Annex 2), this will also take longer to determine as we will need to ensure their will be no environmental degradation.

The charging scheme proposed for flood risk activity permits uses these factors in a matrix to score each application according to complexity, risk and location, see Table 2. The matrix will score proposals from 1 to 9, with 1 being the lowest risk and 9 the highest. The scores can then be grouped into three flood risk activity charging bands: Low; Medium; and High.

Table 2. Risk matrix for assessing and scoring flood risk activities.

		Activity location greater than 100m to nearest non-agricultural building in the floodplain		Activity location within 100m to nearest non- agricultural building in the floodplain	
		Designated site	Non- designated site	Designated site	Non- designated site
Activity	Risk score	2	1	3	2
Bridges / culverts	3	6	3	9	6
Outfalls	1	2	1	3	2
Bank protection	2	4	2	6	4
Weirs / Dams / Sluices	3	6	3	9	6
Service crossings	3	6	3	9	6
Any in-channel works	3	6	3	9	6
Gravel extraction / dredging	3	6	3	9	6
Flood plain works	2	4	2	6	4
Temporary works only 3		6	3	9	6
Works to new and existing FRM assets (both Natural Resources Wales and privately owned)	3	6	3	9	6
Planning permission * 1		2	1	3	2

\* If a flood risk activity permit has previously been granted planning permission, all aspects of the flood risk permit will have already been considered so time requirement for determination will not be as high.

The charge for each band is set at a value to allow cost recovery for determining a flood risk activity permit. In addition, each charging band includes within the overall charge, an allowance for pre-application advice and discussion. Pre-application advice improves the quality of the application and reduces time taken to assess applications by staff, improves customer satisfaction and helps encourage application rather than evasion. We wish to encourage pre-application for these reasons. The normal EPR inclusion is for 15 hours of pre-application advice, which is probably too large for these purposes but we would still wish to include a small allowance, tiered according to the risk of the application.

The proposed charges for a bespoke flood risk activity permit, and the level of pre-application advice included are as follows:

<b>Risk Score</b>	Band	Charge	Pre-app allowance included in charge
1 – 3	Low	£230	1 hour
4-6	Medium	£320	2 hours
7 - 9	High	£580	3 hours

#### **Other Charges**

#### Charges for subsistence

Subsistence charges cover our ongoing regulatory costs following granting of the permit. For bespoke flood risk activity permits subsistence charges cover the costs of checking compliance with the permit conditions. We will undertake compliance work on a risk basis, with the focus on those flood risk activity permits that are of greatest risk to the environment or for flood risk. We estimate that this would take an average of 2 hours, but this will probably be less for lower risk and more for higher risk applications. This is a one off charge, made when we undertake the visit. This charge may cover multiple site visits by Natural Resources Wales staff and would be done at the appropriate time after a permit is issued to assess compliance with the permit conditions. It will be a condition of the permit for the operator to tell us when work on the permitted activity will begin so we can time our compliance work and invoice appropriately.

As this is risk based, we propose subsistence charges as follows:

Band	Charge
Low	£40
Medium	£80
High	£120

#### Charges for multiple structures

We feel there should be a cost reduction available for applications for more than one structure rather than charge the full cost for each. We are currently considering how this could be implemented and welcome your views on how this could work.

#### Charge for varying a permit

For the first time we are able to cost recover variations to permits. In comparison to other EPR schemes it is difficult to quantify how many variations we are likely to receive and how long they will take to determine for flood risk activities.

We therefore propose that there will be no charge to vary a flood risk activity permit for this first iteration of the charging scheme. We will monitor this throughout the year and review in the future.

#### Charge for surrendering a permit

Also for the first time through EPR, we are able to cost recover for work involved with surrendering a permit. At this stage, we have no evidence or example of how much this is likely to cost.

We therefore propose that there will be no charge to surrender a flood risk activity permit for this first iteration of the charging scheme. We will monitor this throughout the year and review in the future.

#### Evidence

Time recording data captured from Natural Resources Wales operational staff was used to give an average determination time for each risk band in hours. An error margin was applied to each average to account for errors in the data sample along with the addition of two hours for pre-application discussion before the overall figure was multiplied by an hourly rate to provide the charging band total.

Question 6. Is the risk matrix easy to understand?

Question 7. Do you agree with the proposed charging bands and charges for flood risk activity permits?

Question 8. Should these charges apply to works being undertaken by anyone, or should there be exceptions (for example, charities)?

Question 9. Do you agree with the pre-application inclusion within the charges?

Question 10. What factors should we consider when determining how we offer a cost reduction for permits covering multiple structures?

Question 11: Do you agree with introducing a tiered risk based charge for subsistence or would you prefer a single charge?

Question 12: Do you agree with our proposal to charge a zero rate for varying and surrendering a permit for the first year of the charging scheme?

# **5. Other Changes Outside of this Review**

There are other changes in relation to our charges that we wish to highlight. These have either been consulted upon separately in the past year, or relate to particular aspects of the charging scheme that may be of specific interest to charge payers and merit clarification.

#### 5.1 Charging for Supplementary Planning Advice Services

Natural Resources Wales has a wide range of duties in the Town and Country Planning system. Our main role is as a statutory consultee, providing evidence and advice to developers and decision makers on the possible effects of planning policies and development proposals upon our environment and natural resources.

Our customers often require us to be involved at a level which goes beyond our statutory duties. We value the importance of early and effective engagement and the benefits this can bring to both our customers and the environment. It is however increasingly challenging to balance the resourcing of our statutory work and our discretionary advisory role.

To ensure we can continue to deliver a consistent service across Wales that meets the standards of our customers, we consulted last year on a proposal to introduce a charged-for service for some aspects of our development planning service. The feedback we received from last year's consultation was generally positive and as a result we are now proceeding with the development of this service.

We have learnt from the experience of other organisations that have established similar schemes and on this basis we have developed a number of principles which we propose to use as the foundation for our own charged-for service. This consultation seeks views on these principles. Following this consultation, we intend to start a wider discussion with our

stakeholders on their expectations and requirements for this service. We will then consult on the detail of the scheme in autumn 2016, with the aim of rolling it out by April 2017.

#### **Principles**

#### 1. We will develop a standard service which will be available free of charge.

Natural Resources Wales will develop a free standard service, which will be consistent across Wales. We will further define what is offered as part of this service, but as a minimum we propose that it should cover those aspects of our advice where we have a statutory role. In addition, the free service will offer an initial opinion on the environmental constraints and opportunities that may affect a proposed development and will signpost any relevant guidance that may help our customers in putting forward their application.

#### 2. We will offer additional services at a charge.

If a customer decides that their application would benefit from further input from Natural Resources Wales, which is outside of the scope of the standard planning advice service, we will offer the use of a charged supplementary planning advice service. We will set out the services available and the costs and it will be at the customer's discretion to decide which, if any, of these services they would like to use. We propose to offer this supplementary planning advice service at all stages of development and for all types of developments that warrant our engagement.

The service will operate on the basis that it will not affect Natural Resources Wales' role as an independent advisor in the planning process. Any advice given will be without prejudice and will not bind Natural Resources Wales to supporting the proposal once it has been submitted to the relevant planning authority. It will be offered to developers, their agents and anyone who acts as a developer. The focus of the service will be to provide advice and any permits that may be required, will be dealt with separately as part of our permitting service.

# 3. We propose to use a tiered charging scheme for the supplementary planning advice service.

We intend to offer the charged-for service on a cost recovery basis and over the next year will assess the rates at which this should be set. To provide clarity to our customers and make the administration of the scheme easier, we are considering the introduction of a tiered charging scheme. This may use flat rates for relatively straightforward tasks, such as attending site meetings, hourly rates for more complex tasks and in exceptional cases we may request lump sum payments at the start of the work. We only intend to use the final option for cases which require a significant amount of upfront investment from Natural Resources Wales.

#### 4. We will continue to offer bespoke arrangements in the interim period.

Our aim is to introduce the charged service in early 2017 and we will set out further detail in next year's consultation. We are aware however, that some customers are already keen for us to have greater involvement in the work they are undertaking. In the past we have set up a number of bespoke arrangements at the request of customers to ensure we can deliver these additional services. In the interim period before the charged-for service is introduced, we propose to keep the option to set up bespoke arrangements open. We will offer this option for large scale applications which are likely to require a significant level of involvement from Natural Resources Wales. If a developer decides to use this option we will set up a charging arrangement to formalise the agreement.

Question 13. Do you agree with the principles as set out?

Question 14. Do you agree that a charged service should be offered for all types and all stages of applications? Or do you think the service should be limited to specific types or stages of application, such as developments over a certain size or during the pre-application stage of a development?

Question 15. Do you agree with our proposal to introduce a tiered charging scheme? Are there other charging options we should consider?

Question 16. Do you support our intention to continue to offer the option to set up bespoke arrangements in the interim?

#### 5.2 Marine Licensing

The current fees for Welsh Marine Licensing activities are set in legislation and administered by the Welsh Government. We are working in partnership with Welsh Government to review these charges, looking in particular at three main aspects:

- fee structure;
- charging for activities specified in the Marine Works Regulations and;
- new charging powers through the Environment Bill.

The review will aim to achieve full cost recovery and will consider any process improvements that need to be made. A Steering Group is in place to oversee this review and an informal Stakeholder Group has been established to help inform and influence this process. Formal public consultation will be conducted by Welsh Government in 2016 once any new charging powers arising from the Environment Bill are sanctioned. It is envisaged that the new fees structure and its associated charges would then come into force by April 2017.

#### **5.3 Energy Efficiency Directive**

Under Article 14 of the Energy Efficiency Directive (EED) operators of new and substantially refurbished combustion plants are required to carry out a cost-benefit assessment for opportunities for combined heat and power. Natural Resources Wales will incur additional work analysing and assessing Article 14 submissions. Whilst the current and 2016-17 charging scheme does not include a fee for this additional work, we anticipate that the 2017-18 charging scheme and beyond will seek to recover the costs in addition to any application fee.

### 6. Other Matters to Note

#### 6.1 Links to Environmental Permitting (EP) Operational Risk Appraisal (OPRA) Scheme

The EP Operational Risk Appraisal (OPRA) Scheme is currently used to calculate charges for some Natural Resources Wales regulated activities. Through our consultation last year we outlined our intention to carry out a substantial review of our current fees and charges by 2018 and our approach to the OPRA scheme until that time.

The OPRA Scheme is amended from time to time by the Environment Agency and to minimise confusion, until we have completed our wider review, as indicated above, we are proposing to continue using the most up to date version of the EP OPRA Scheme, as published by the Environment Agency.

We therefore encourage Natural Resources Wales charge payers to refer to any future EA charging consultations where by any proposals for technical changes to the OPRA scheme would be explained. Further information can be found on the Environment Agency's website<sup>4</sup>.

# 7. Responding to this Consultation

We are seeking your views and opinions on proposals for our fees and charges for 2015-16, as well as seeking initial views and ideas on the future look of our charging strategy and schemes.

#### 7.1 How to Respond

The closing date for replies is 26<sup>th</sup> November 2015.

You can reply in the following ways.

#### Email

feesandchargesconsultation@naturalresourceswales.gov.uk

#### Post

Charging Consultation Response Natural Resources Wales Ty Cambria 29 Newport Road Cardiff CF24 0TP

#### Telephone

<sup>&</sup>lt;sup>4</sup> https://www.gov.uk/government/collections/environment-agency-charging-schemes

#### 0300 065 3000

#### Online

Available on our website at www.naturalresourceswales.gov.uk

#### 7.2 Data Protection

#### How the views and information you give us will be used

Any response you send us will be seen in full by Natural Resources Wales staff dealing with the consultation. It may also be seen by other Natural Resources Wales staff to help plan future consultations.

We intend to publish a summary of the responses to this document. We may publish responses in full. Normally the name and part of the address of the person making the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name and address to be published let us know when making your response and we will remove them from published material.

Names and addresses we remove might still get published later, although we don't think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including Natural Resources Wales. This includes information which has not been published. However the law also allows us to withhold information in some circumstances. If anyone asks us to seek information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published that is an important factor that we would take into account. However there might sometimes be an important reason why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decide to reveal the information.

#### 7.3 Next Steps

Following the consultation we will make all comments (excluding personal information as detailed above) and our responses publicly available on our website. If you respond with an email address we will acknowledge your response and will notify you when the summary of responses has been published on our website.

#### Annex 1 - Definition of Flood Risk Activity as Defined in the Draft Environmental Permitting (England and Wales) Regulations 2015

- (a) erecting any structure (whether temporary or permanent) in, over or under a main river;
- (b) the carrying out of any work of alteration or repair on any structure (whether temporary or permanent) in, over or under a main river if the work is likely to affect the flow of water in the main river or to impact on any drainage work;
- (c) erecting or altering any structure (whether temporary or permanent) designed to contain or divert the floodwaters of any part of a main river;
- (d) any dredging, raising or taking of any sand, silt, ballast, clay, gravel or other materials from or off the bed or banks of a main river (or causing such materials to be dredged, raised or taken), including hydrodynamic dredging and desilting;
- (e) any activity which is likely to divert the direction of the flow of water into or out of a main river or alter the level of water in a main river;
- (f) any activity within 8 metres of a non-tidal main river (or within 8 metres of any flood defence structure or culvert on that river) or any activity within 16 metres of a tidal main river (or within 16 metres of any flood defence structure or culvert on that river) which is likely to—
  - (i) cause damage to or endanger the stability of the banks of that river or of any culvert,
  - (ii) cause damage to any river control works,
  - (iii) alter, reconstruct, discontinue or remove any river control works,
  - (iv) divert or obstruct flood waters or impact on the drainage of that river, or
  - (v) interfere with the regulator's access to and along that river;
- (g) any activity (other than an allowed activity) on a flood plain that is-
  - (i) more than 8 metres from a non-tidal main river or more than 16 metres from a tidal main river, or
  - (ii) more than 8 metres from any flood defence structure or culvert on a non-tidal main river or more than 16 metres from any flood defence structure or culvert on a tidal main river,

which is likely to divert or obstruct floodwaters, to damage any river control works or to impact on drainage;

- (h) any activity within 16 metres of the base of a sea defence which is likely to-
  - (i) endanger the stability of, cause damage to or reduce the effectiveness of that sea defence, or
  - (ii) interfere with the regulator's access to and along that sea defence;
- (i) any activity within 8 metres of the base of a remote defence which is likely to-
  - (i) endanger the stability of, cause damage to or reduce the effectiveness of that defence, or
  - (ii) interfere with the regulator's access to and along that defence;
- (j) any quarrying or excavation within 16 metres of the base of a remote defence which is likely to cause damage to or endanger the stability of that defence;
- (k) any quarrying or excavation within 16 metres of a main river or any flood defence or culvert on that river which is likely to cause damage to or endanger the stability of the banks of that river.

## Annex 2 – Designated Sites

A designated site for the purpose of the activity matrix means:

- a European site within the meaning of the Conservation of Habitats and Species Regulations 2010;
- a Ramsar site within the meaning of section 37A of the Wildlife and Countryside Act 1981;
- a site of special scientific interest designated as such under that Act; and
- a nature reserve established by a local authority under section 21 of the National Parks and Access to the Countryside Act 1949.