

Partial Business and Regulatory Impact Assessment

Title of Proposal

The Seed (Fees) (Scotland) Regulations 2014

Purpose and intended effect

- **Background**

Seed certification is a European Community requirement to ensure that farmers and growers receive seeds of a known minimum quality. This is achieved in Scotland through marketing regulations, which ensure that seeds of the main agricultural and vegetable species can be marketed only after being examined and certified as meeting specified minimum EU standards and as being derived from crops which have also met specific EU variety registration standards.

Science and Advice for Scottish Agriculture (SASA), who are part of Scottish Government, take responsibility as the Certifying Authority (CA) for Scotland, working with the Official Seed Testing Station (OSTS) for Scotland and Rural Payments Inspection Directorate (RPID), co-ordinating all the official areas of certification.

- **Objective**

Charging for services transfers the cost from the taxpayer to the user who benefit directly, giving a fairer distribution of public resources and lowering public expenditure. This means charging for these services at full cost recovery.

- **Rationale for Government intervention**

Scottish Government policy for setting fees and charges for all statutory and commercial services is for full cost recovery with charges set accordingly. Scottish Ministers have given their assurance to the Rural Affairs, Climate Change and Environment Committee, that the statutory fees charged for seed testing, seed certification, and associated licensed activities should be reviewed on an annual basis. In doing so, Scottish Government ensures that the costs of the services are met by those who benefit directly and that costs to government are neutral.

Consultation

- **Within Government**

Scottish Government's policy team have consulted with SASA, who are responsible for seed certification in Scotland and are the main service providers. They have reviewed the processes and procedures and have work closely with RPID and the OSTs Scotland to identify cost effective ways of carrying out this work. SASA have provided the cost for undertaking this work and predicted the increases required to make full cost recovery in financial year 2014/15.

- **Public Consultation**

The consultation was issued on the 7 March 2014. The consultation documents were sent electronically and by post to all interested parties registered with Scottish Government. An electronic copy was also placed on the Scottish Government website. No informal consultation has taken place.

Responses to consultation

The Consultation exercise closed on the 1 May. One response was received from the NFUS Scotland, who “*is supportive of the Scottish Government’s management of the system*” and acknowledge that ‘*the proposed change is quite small*’. However, on the matter of full cost recovery, they felt that “*when Government pays a share, then there is a greater impetus for efficiency than when all costs can be passed on, in a monopoly situation*”.

- **Business**

During the consultation period, Scottish Government met with a cross-section of the seed industry. 20 individuals or companies were invited to attend interviews, in order for Scottish Government to establish what the proposed changes would mean to their business.

The Sample Size

Of the 20 invites to take part, 14 companies / individuals responded. One acted as a test subject and unfortunately another had to cancel. The interviews were very useful for both parties, in allowing exchanges of information both ways.

Of the 12 that took part in the BRIA exercise, Scottish Government tried to obtain a wide cross section. From individual crop inspectors to large seed merchants, processors and packer who had their own licensed seed testing station, crop inspectors and seed samplers. We also attempted to cover the parts of Scotland that were large arable areas- Borders, Central and NE Scotland.

Options

Option 1 Maintain the status quo, no fee increases.

Option 2 Increase fees to achieve full cost recovery in financial year 2014/15.

- **Sectors and groups affected**

- Seed Merchants, Processors and Packers
- Licensed Seed Testing Stations (LSTS)
- Licensed Seed Samplers
- Licensed Crop inspectors
- Farmers

- **Benefits**

Option 1 – no increases to fees. Public money used to subsidise services that will directly benefit industry.

Option 2 – Scottish Government achieves full cost recovery and allows for the service to continue at a sustainable level.

- **Costs**

Option 1

- If Scottish tax payers subsidised the agricultural industry, then additional funding to the agriculture budget would be necessary. Moving money from other Scottish Government Directorate General budgets could result in a reduction in services to other sectors (education/health)?
- Would the services provided be sustainable?
- Certification may need to be done by another UK Certifying Authority.

The current cost of providing statutory services for seed marketing is £205,000. In 2012/13 a total of £193,000 was recovered through fees. If this is not addressed, the deficit will increase over each financial year and would see the tax payer subsidising services that should be covered by the industry using it.

Option 2

- Will introduce increases of between 0.5 – 16.7% for the seed industry, to insure full cost recovery and no subsidisation.

Scottish Government can produce rough estimates of increased costs on the services they provide, based on the information available to them through the certification system. However, we cannot account for cost that cover labour, fertiliser, agrochemicals, equipment or other overheads that could be associated with producing grain.

Costs for Certifying a 30 Tonne Cereal Seed Lot @ C2 using proposed new fees

Statutory Service/Function	Fee	Cost per tonne of Seed (assuming 30 tonne lot)
Initial Fees	£4.25 per Hectare	£0.85
Crop Inspection Fee	£18.50 per Hectare	£3.70
Seed Lot Fee	£33.00 per seed lot	£1.10
Sampling Fee	£50.12 per seed lot	£1.67
Seed Testing – HVS test, 100 Seed STZ	£72.45	£2.42
Labels		£1.00
Seals		£1.00
Sample Bags		£8.00
<i>Total cost of Certification</i>		<i>£19.74 per tonne.</i>

Grasses costings example (only Scots Timothy grown and Certified in Scotland)

Statutory Service/Function	Proposed Fee	Fee (per tonne, assuming 10 tonne lot)
Initial Fees	4.25 per ha	3.19
Crop Inspection Fee	18.50 per ha	13.88
Seed Lot Fee	33.00	3.30
Seed Lot Re-Entry Fee	35.00	3.50 (not applied)
Sampling Fee	50.12	5.01 (not applied)
Seed Testing	74.34	7.43
HVS verification	7.00	not applicable
Fee cost per tonne		<i>£27.80 per tonne.</i>

Scottish Firms Impact Test

To get a better idea of what these proposed increases will mean for Scottish individuals / companies, Scottish Government spoke to a cross section of the seed industry. Interviews took place during March/April. Our findings are summarised in this Final BRIA, which will be published along with the one response received to the consultation paper.

The BRIA Interviews

All interviews allowed for with exchanges of information both ways. Overall the seed industry is very content with the services provided by SASA and RPID (part of Scottish Government's Directorate For Agriculture, Food And Rural Communities). They were aware of the service provided and what each of the functions involve.

Our discussions with each of the individuals, confirmed that our estimation as to what the increases would mean in financial terms, was correct.

The fees for services provided by Scottish Government account for less than 2% of the total cost that the seed producer pays for the final stages of cleaning and bagging seed prior to sale. The rise on average would be in the range £5.00 to £11.50 per tonne of seed, an increase overall of 0.5%. An arable farmer would face an increase in the price of a tonne for seed purchased of between 0.25% - 1% which means an additional 17 - 66 pence per hectare of the seed sown. It is therefore, considered that the proposed increases will have a minimum effect on overall costs.

In general the section of the industry interviewed for this exercise, considered the services provided by Scottish Government as being good value for money, praising the service providers SASA & RPID. They found them very approachable, offering a good standard of service.

- **Competition Assessment**

No impact on competition.

- **Test run of business forms**

No new forms for business to fill in will be introduced as a result of our proposals.

Legal Aid Impact Test

Having consulted with the Legal Aid Team, we do not anticipate that the contents of this BRIA will impact the Legal Aid Fund.

Enforcement, sanctions and monitoring

The Scottish Government Accounting System (SEAS) team, SASA & the OSTs Scotland all work together to insure invoices are issued timeously. The normal action for non-paid invoices is used by the SEAS team for any statutory services not paid for by an individual or company after the time allotted.

Non-compliance result in companies or individuals being put on a client blacklist. Failure to pay for a service means no further work is carried out by the certifying Authority or by the OSTs.

Implementation and delivery plan

The increase for most of the fees will be implemented by way of The Seed (Fees) (Scotland) Regulations 2014, with the exception of the seed testing fees. Section 24(4) of the Plant Varieties and Seeds Act 1964, provides Scottish Ministers with powers to allow the Official Seed Testing Station for Scotland (SASA) to make charges.

Any changes to fees will come into force on the 18 August 2014.

- **Post-implementation review**

Scottish Ministers have given their assurance to the Rural Affairs, Climate Change and Environment Committee, that the statutory fees charged for seed testing, seed certification, and associated licensed activities should be reviewed on an annual basis.

Summary and recommendation

Scottish Government's preferred option is number 2, which allows full cost recovery, with no subsidising from the tax payer for services that should be being paid for by the businesses benefiting directly from them.

- **Summary costs and benefits table**

No change required.

Scottish Government's preference remains with option 2, which although the industry would like to see no increases, they agree is the most pragmatic way to address the cost of these services.

Declaration and publication

I have read the final impact assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the costs, benefits and impact of the leading options. I am satisfied that business impact will be assessed with the support of businesses in Scotland.

Signed:

Richard Lochhead, MSP

Date:

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