

Full Business and Regulatory Impact Assessment

Title of Proposal

The Seed (Fees etc.) (Scotland) Regulations 2017

Purpose and intended effect

Background

Seeds regulations implement European law, allowing certain kinds of agricultural seeds to be marketed. Only after official or licensed examination can the seed being certified as meeting specific minimum seed quality standards, and therefore be marketed. This process ensures that farmers and growers receive seed of a minimum known quality.

Objective

In their role as an official service provider / supervisor for seeds marketing, Scottish Government has an obligation to ensure full-cost recovery for all the services it provides, which includes field inspection of crops, testing of seed and the training and examination of people who undertake these activities. Within the Scottish Government, Science and Advice for Scottish Agriculture (SASA) and the Rural Payments Inspection Directorate (RPID) are responsible for carrying out the technical and administrative work associated with seed certification.

Rationale for Government intervention

Although the service aims to be as efficient as possible, a recent review of the fees for seed certification, seed testing and associated functions has established that the current charges set do not reflect the costs incurred of providing the service.

This work contributes to the Scottish Government's *Wealthier and Fairer* strategic objective by creating a high quality, efficient public service to encourage trade with countries out with the EU and help Scotland's agriculture and horticulture industries achieve responsible and sustainable future growth. It also ensures that the costs of public services are met by those who benefit directly and the cost to Government is neutral.

Consultation

Within Government

Scottish Government's policy team have consulted with SASA; who working closely with RPID and the Official Seed Testing Station (OSTS) for Scotland, have reviewed the processes and procedures to provide the information contained within this BRIA. SASA have provided the cost for undertaking this work and predicted the increases required to make full cost recovery in seed certification year 2017/18.

Public Consultation

A 12 week public consultation took place from 3 March to 26 May 2017. The consultation documents were sent electronically / posted to all interested parties registered with Scottish Government (~130 businesses / individuals). An electronic copy was also placed on the Scottish Government and SASA websites.

A response from the NFUS who felt the increases were modest, however, with the fall in cereal incomes and other pressures on arable farming, they did not believe

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that the fees should be increased.

No other responses were received.

Of those that were interviewed for the purpose of the BRIA, the proposed 1.8% increase was seen as acceptable as it was in line with inflation and only accounted for ~2% of their overall costs.

Business

The Consultation is specific to a specialised area of the agricultural sector mainly consisting of Professional Seed Operators, Licensed Crop Inspectors, Licenced Seed Samplers and Licensed Seed Testing Stations, some of whom were contacted directly and asked to take part in the preparation of the Business Regulatory Impact Assessment.

A mixture of private and corporate owned businesses of varying size and functions were selected randomly from across Scotland to take part in BRIA interviews.

Fee Structure Options

To meet the stated aim of introducing a full cost recovery regime for the seed certification, seed testing and associated functions, we have considered the following options:

1. Maintain the status quo, no increases in fees.

No change, will not achieve full cost recovery and any deficits will continue to rise. Essentially, failing to make full cost recovery means the Scottish tax payers subsidising services that should be covered by the industry using it.

2. Increase fees to achieve full cost recovery in financial year 2017/18.

This option would deliver the Scottish Government's aims to recover the full cost of the service. Fees would increase so that those who benefit from the service (i.e. licensed personnel within the seed industry) would be required to meet the true costs of providing a Scottish seed certification scheme.

Over the last 2 years SASA have implemented a number of cost savings, which last year lead to minimum or in some cases no increase in fees.

MySEEDS –

SASA has developed a new database SEEDS, which combines seed testing and seed certification data. As part of the development, SASA also launched a customer facing portal called MySEEDS, which allows certification applicants, to enter seed lots, crops, view seed test results and other functions online.

SASA have consulted with the seed trade and through the project have met regularly with a group of stakeholders to help develop and assess each phase of the build, to ensure that it delivers for both SASA and for the service users.

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Since MySEEDS went live in 2015 there has been a good uptake of the system and over the past 6 months almost 75% of seed lot applications, notifications and crop entries have been made on line.

SASA are now in a position to begin to pass on savings in staff time accrued through this level of uptake by the industry, and in the first instance it is proposed that fees relating to these functions are held at 2015 levels.

Although SASA continue to review ways in which we can make savings, inflation and a slight increase in staff charges, means that there is a need to increase fees by 1.8% this year to allow for full cost recovery.

Preferred Option

Option 2 is preferred by the Scottish Government. A 1.8% increase in line with CPI to allow Scottish Government to make full cost recovery on the services provided.

Sectors and groups affected

- Professional Seed Operators
 - Seed Merchants
 - Seed Processors
 - Seed Packers
- *Licensed Seed Testing Stations (LSTS)*
- Licensed Seed Samplers
- Licensed Crop inspectors
- Farmers

Based on the information we hold, an estimate of costs and the impact a 1.8% increase will have on a 30 tonne seed lot of cereal and a 10 tonne seed lot of Timothy is attached in (**Annex D**).

Timing of New Fees

The Scottish Government will implement the revised fees on 1 July 2017,

Scottish Firms Impact Test

A selection of private and corporately owned businesses of varying size and functions were selected randomly from across Scotland to take part in BRIA interviews.

The BRIA interviews and discussions were undertaken with a number of Professional Seed Operators. A summary of the findings is as follows;

Certification and Species

The interview revealed that cereal seeds were marketed more than grass seeds. It is estimated that 98% of seed certified in Scotland is cereal seed.

Most stakeholders were marketing seeds at Certified First Generation and Certified Second Generation with only two marketing Pre-Basic and Basic seeds.

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Cost

For most stakeholders, Scottish Government's seed certification and testing fees made up 1% - 4% of total seed costs. They saw the proposed increase in seed fees as fair way of Scottish Government covering its cost and accepted the inflationary rise in costs. None of the stakeholders interviewed saw the new fees impacting on the category of certified seeds they would produce.

MySEEDS

All interviewees were aware of the MySEEDS system and its function and were also quite pleased with its introduction. Most stakeholders used MySEEDS one way or another and considered the system fairly easy to use. However, there was the general concern about the inability to edit data after submission.

Some advantages mentioned by the interviewees included

- Less paperwork due to no need to fill out SDT5s and SDT10s;
- The ability to access historic data and results easily;
- The general ease of use of the system and;
- Instant access to results of tests, current status of seed lots and crops.

Stakeholders mentioned that they would be more likely to increase their use of MySEEDS in future if online applications stay lower than paper applications. There was some interest in a MySEEDS training course. Online or classroom based would both be acceptable. One stakeholder also suggested that guide notes or a quick reference guide would be handier for the day to day use and troubleshooting of the system.

General

All stakeholders were of the opinion that SASA and RPID provided a value for money service. They were pleased with the quality of customer service provided and the knowledge bank available to them.

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

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Authority or by the OSTs.

Implementation and delivery plan

Any increase will be implemented by way of The Seed (Fees. etc) (Scotland) Regulations 2017. Scottish Ministers have authorised Section 24(4) of the Plant Varieties and Seeds Act 1964, which provides Ministers with powers to allow the Official Seed Testing Station for Scotland (SASA) to make charges.

The proposed increase of 1.8% fees would come into force on the 1 July 2017

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 will increase seed certification, seed testing and associated fees by 1.8% on the 1 July 2017, in order to reduce the deficit that SASA/RPID currently have for providing seed certification and seed testing services. The proposed increase is anticipated to allow full cost recovery.

Summary costs and benefits table

Now updated with information obtained from the BRIA interviews.

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Declaration and publication

I have read the Business and Regulatory Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

Signed:

Date:

Mr Fergus Ewing

Cabinet Secretary for the Rural Economy and Connectivity

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Annex D Example of a 1.8% increase on a 30 tonne seed lot of cereal seed.

Statutory Service/Function	Fee- 2016 Fees	Cost per tonne of Seed (assuming 30 tonne lot)	Fee- 2017 Fees	Cost per tonne of Seed (assuming 30 tonne lot)	Fee- 2017 Fees Using MySEEDS	Cost per tonne of Seed (assuming 30 tonne lot)
Initial Fees	£4.25 per Hectare	£0.85	£4.33 per Hectare	£0.87	£4.25 per Hectare	£0.85
Crop Inspection Fee	£18.80 per Hectare	£3.75	£19.14 per Hectare	£3.83	£19.14 per Hectare	£3.83
Seed Lot Fee	£33.00 per seed lot	£1.10	£33.59 per seed lot	£1.12	£33.00 per seed lot	£1.12
Sampling Fee	£50.12 per seed lot	£1.67	£51.02 per seed lot	£1.70	£51.02 per seed lot	£1.70
Seed Testing – HVS test, 100 Seed STZ and moisture content	£73.68	£2.46	£75.01	£2.50	£75.71	£2.46
Labels		£1.00		£1.00		£1.00
Seals		£1.00		£1.20		£1.20
Bags		£8.00		£8.00		£8.00
Fee Cost per tonne		£9.79		£9.98		£9.96
Total cost of Certification per tonne		£19.83		£20.22		£20.16
						Saving £0.02/tonne

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Annex D - Grasses

<u>Grasses costings example (only Scots Timothy grown and Certified in Scotland)</u>					
Statutory Service/Function	Fee- 2016Fees	Fee (per tonne, assuming 10 tonne lot)	Fee- 2017 Fees	Cost per tonne of Seed (assuming 10 tonne lot)	Cost per tonne of Seed (assuming 10 tonne lot)
Initial Fees	4.25 per ha	3.19	£4.33 per Hectare	£3.25	3.19
Crop Inspection Fee	18.80 per ha	14	£19.14 per Hectare	£14.26	£14.26
Seed Lot Fee	33	3.3	£33.59 per seed lot	£3.36	3.3
Seed Lot Re-Entry Fee	35	3.50 (not applied)			
Sampling Fee	50.12	5.01	£51.02 per seed lot	£5.10	£5.10
Seed Testing	75,60	7.56	£76.96 per seed lot	£7.70	£7.70
HVS verification	7	not applicable			
Fee cost per tonne		£33.06		£33.67	£33.45
					Saving £0.12/tonne