

# Full Business and Regulatory Impact Assessment

## **Title of Proposal**

The Seed (Fees) (Scotland) Regulations 2018

## **Purpose and intended effect**

### **Background**

European law allow certain kinds of agricultural seeds to be marketed. Once official or licensed examination has taken place, the seed is certified as meeting specific minimum seed quality standards. This process ensures that farmers and growers receive seed of a minimum known quality.

### **Objective**

Within the Scottish Government, Science and Advice for Scottish Agriculture (SASA) are responsible for carrying out the technical and administrative work associated with seed certification. SASA are known as the Seed Certification Authority for Scotland, responsible for ensuring full-cost recovery for all the services they provide, which includes field inspection of crops, testing of seed and the training and examination of people who undertake these activities.

### **Rationale for Government intervention**

Although the service aims to be as accurate as possible, a recent review of the fees for seed certification, seed testing and other seed services recognised that the current charges did not reflect the costs incurred of providing them.

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 the Certifying Authority; who working closely with Agriculture Policy Division (APD) and the Official Seed Testing Station (OSTS) for Scotland, to provide the information contained within this Business and Regulatory Impact Assessment (BRIA). Fee Increases between 3% and 8% are required to make full cost recovery in seed certification year 2018/19.

### **Public Consultation**

In line with Scottish Government consultation procedures, a 12 week public consultation took place. The consultation documents were sent electronically and by post to Key Stakeholders and all interested parties registered with Scottish Government (~130 businesses / individuals). An electronic copy was also placed on the Scottish Government and Citizen Space websites. The consultation closed on the 8 May, with no responses being received from the Key Stakeholders or the seed industry.

# Full Business and Regulatory Impact Assessment

## **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 by way of BRIA interviews.

A full set of consultation documents including a partial BRIA were placed on the Scottish Government and Citizen Space website.

## **Fee Structure Options**

To meet the stated aim of introducing a full cost recovery 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 2018/19**

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.

Inflation, difficult harvest condition and an increase in staff charges, means that there is a need to increase fees by 3.0% for seed certification and 8.0% for seed testing to allow for full cost recovery.

With more of the industry using MySEEDS, (which allows certification applicants, to enter seed lots, crops, view seed test results and other functions online), SASA are able to pass on the savings it's making, by offered a 5% reduction for MySEEDS applications.

## **Preferred Option**

Option 2 is preferred by the Scottish Government. A 3.0% increase in line with CPI for all seed certification cost and 8% increase in seed testing fees, to allow Scottish Government to make full cost recovery on the services provided. It also allows a 5% reduction for the use of electronic seed certification applications

## **Sectors and groups affected**

- Professional Seed Operators
- Seed Merchants
- Seed Processors
- Seed Packers
- Licensed Seed Testing Stations (LSTS)
  
- Licensed Seed Samplers

# Full Business and Regulatory Impact Assessment

- Licensed Crop inspectors
- Farmers

Using the cost information provided by the Certifying Authority, an example of a 30 tonne seed lot of cereals, and 10 tonne lot of Timothy are provided in **Annex E** at the end of the document.

## Timing of New Fees

The Scottish Government will implement the revised fees on 1 July 2018.

## 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, which took place face to face or by phone.

Break down of businesses Interviewed –

- Two sold grass seed only.
- Three sold cereals & grass seed
- 5 sold only cereals
- 3 of the 10 businesses were Licenced Seed Testing Stations (LSTS) attached to a Professional Seed Operator (PSO)

## Summary of the Interviews –

### Certification and Species

- Cereals are the most common seed certified in Scotland, 98% of all crops certified in Scotland are cereals.
- Unlike England, most of the seed certified and marketed in Scotland is final generation.
- Only four companies grow early generation seed.
- These early generation seed lots are less than 0.8% of all seed certified in Scotland.
- Of the companies interview, only five sold grass seed, with 2 specialising in grass seed only

### Cost

- For most businesses, seed certification and testing fees made up 1% - 5% of total seed costs.
- They viewed the proposed increase as a fair way of Scottish Government covering its cost and accepted the inflationary rise in costs.
- From two of the interviews it was suggested that as long as all internal saving were being made by the Certifying Authority and the OSTs, the fee increases are justifiable.
- The majority of the interviewees believe it would be best suited to conduct a review of the fees every 5 years, but introduce an annual

# Full Business and Regulatory Impact Assessment

adjustment based on CPI for the years in between.

- One individual that was interviewed stated that all certification fee increases are absorbed by the company and not added to the cost of a seed lot.

## MySEEDS

- All those interviewed were aware of the MySEEDS system and its function and were also pleased with its introduction and how effective it has been.
- Nearly all those interviewed, used MySEEDS in some capacity, and found the system fairly easy to use.
- The seed industry appreciated the Certification Authority had consulted with them during the building of MySEEDS. In doing so, it had provided them with a database, that was fit for purpose.

## Advantages of the MY SEEDS:

- Less paperwork due to not filling out lengthy forms;
- The ability to access historic data and results easily;
- The general ease of use of the system;
- Instant access to results of tests, current status of seed lots and crops;
- Ability to produce excel files from information on the system;
- The disparity in fees between paper and online application is sufficient to encourage other users to adopt MySEEDS and;
- More likely to increase their use of MySEEDS in future if online applications stay lower than paper applications.

## Training for MySEEDS

- There was some interest in a MySEEDS training course, provided it was offered locally to the users.
- Most suggested that trained staff within their company could provide on the job training on the system to new starts, as and when required.
- One interviewee also suggested that PDF updates on MySEEDS from SASA are a good training aid.

## **General**

Most interviewees were of the opinion that the Certifying Authority and APD (Agricultural policy division) provided a value for money service. All were pleased with the quality of customer service provided by the Certifying Authority and the knowledge transfer 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.

# Full Business and Regulatory Impact Assessment

## **Enforcement, sanctions and monitoring**

The Scottish Government Accounting System (SEAS) team, the Certifying Authority & the OSTs Scotland all work together to ensure 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 results 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**

Any increase will be implemented by way of The Seed (Fees) (Scotland) Regulations 2018. 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 to make charges for services they provide.

The reduction of 5% for online applications and increases of 3.0% for seed certification and 8.0% for seed testing fees will come into force on the 1 July 2018

## **Post-implementation review**

Scottish Ministers have given their assurance to the Environment, Climate Change and Land Reform 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

- Reduce the fee for online applications by 5%;
- increase all fees for seed certification by 3.0%, and
- Increase all seed testing fees by 8.0%,

Which will remove the deficit the Certifying Authority currently incurs for providing seed certification and seed testing services. The proposed increase is anticipated to bring full cost recovery.

## **Summary costs and benefits table**

These have now been updated with information obtained from the BRIA Interviews.

# Full Business and Regulatory Impact Assessment

**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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## Full Business and Regulatory Impact Assessment

Annex E: Example of 3.0% seed certification and 8% seed testing increase of fees on 30 tonne seed lot of cereals

### CEREAL ONLINE APPLICATION: EXAMPLE OF FINAL GENERATION

Statutory Service/Function	Fee- 2017 Fees	Cost per tonne of Seed (Assuming 30 tonne lot)	Fee- 2018 Fees	Cost per tonne of Seed (Assuming 30 tonne lot)
Initial Fees	£4.25	£0.85	£4.04	£0.81
Crop Inspection Fee	£19.14	£3.83	£19.71	£3.94
Seed Lot Fee	£33.00	£1.10	£31.35	£1.05
Sampling Fee	£51.02	£1.70	£52.55	£1.75
Seed Testing – HVS test, 100 Seed STZ	£75.01	£2.50	£81.01	£2.70
<b>Fee Cost per tonne</b>		<b>£9.98</b>		<b>£10.25</b>
Labels*		£1.00		£1.00
Seals*		£1.00		£1.00
Bags*		£8.00		£8.00
<b>Total Cost Of Certification Per Tonne</b>		<b>£19.98</b>		<b>£20.25</b>

\* Labels, seals and bags are not part of the consultation process and are only present to demonstrate overall cost

## Full Business and Regulatory Impact Assessment

Annex E: Grasses costing example of 3.0% seed certification and 8% seed testing fee increase (only Scots Timothy grown and Certified in Scotland 10 tonne seed lot)

### GRASSES COSTING EXAMPLE: FINAL GENERATION (ONLY SCOTS TIMOTHY GROWN AND CERTIFIED IN SCOTLAND (ONLINE APPLICATION))

Statutory Service/Function	Fee- 2017 Fees	Fee (per tonne, assuming 10 tonne lot)	Fee- 2018 Fees	Cost per tonne of Seed (Assuming 10 tonne lot)
Initial Fees	£4.25	£3.19	£4.04	£3.03
Crop Inspection Fee	£19.14	£1.91	£19.71	£1.97
Seed Lot Fee	£33.00	£3.30	£31.35	£3.14
Sampling Fee	£51.02	£5.10	£52.55	£5.26
Seed Testing	£76.96	£7.70	£83.12	£8.30
HVS verification	£7.13	Not applicable	£7.34	
<b>Fee Cost per tonne</b>		<b>£21.20</b>		<b>£21.70</b>
Labels*		£3.20		£3.20
Seals*		£0.00		£0.00
Bags*		£12.00		£12.00
<b>Fee cost per tonne</b>		<b>£36.40</b>		<b>£36.90</b>

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