

Final Business and Regulatory Impact Assessment

Title of Proposal

The Animal Health (Miscellaneous Fees) (Scotland) Regulations 2018.

Purpose and intended effect

Background

Statutory charges already exist for services delivered by the APHA in respect of:

- Controlling the collection of bovine embryos, bovine semen and porcine semen.
- Administration of the Poultry Health Scheme (PHS).
- Administration of the National Control Plan for Salmonella (NCP).
- Inspections at Border Inspection Posts (BIPs).

The fees currently payable to the Scottish Ministers for the delivery of the above services are set out in The Animal Health (Miscellaneous Fees and Amendments) (Scotland) Regulations 2013 (2013 No. 151) (hereinafter referred to as the “2013 Fees Regulations”).

In Scotland, as is the case across the rest of GB, these statutory services are delivered by the Animal and Plant Health Agency (APHA), an executive agency of DEFRA, through an agency agreement made under section 93 of the Scotland Act 1998.

Objective

This proposal revises the existing fees to align them with the full cost recovery (FCR) model set out in the HM Treasury guidance ‘Managing Public Money’. The Fee levels currently set out in schedules 1 to 6 of the 2013 Fees Regulations require to be updated to show the new fees to be charged from 30 June 2018.

The six activity areas affected by this proposal are:

• Bovine Embryos

The Bovine Embryo (Collection, Production and Transfer) Regulations 1995 implement a raft of EC requirements pertaining to the collection, production and transfer of embryos. Collectively, these measures guard against the risk of disease which could arise from the collection and transfer of embryos and help to facilitate trade. The specific, chargeable services provided by the APHA to industry are the licensing of bovine embryo (collection, production and transfer) teams and storage centres.

• Bovine Semen

The Bovine Semen (Scotland) Regulations 2007 implement the requirements of Directive 2003/43/EC (amending Directive 88/407/EEC) and contain provisions to control the collection, processing and storage of bovine semen. They establish two regimes: one by which semen may be collected and processed for trade with other EU Member States, and one by which bovine semen may be collected for use in the UK.

Controls on bovine semen are necessary to prevent the spread of certain animal diseases transmitted through semen which could impact on the economic wellbeing of the livestock sector. The APHA licences artificial insemination centres, approves and samples donor animals and controls the conditions under which semen is collected, identified and traced. A fee is charged for the delivery of these services.

- **Porcine Semen**

The Artificial Insemination of Pigs (EEC) Regulations 1992 implement the provisions of Council Directive 90/429/EEC in relation to exports to Member States and the approval of semen collection centres which engage in intra-community trade in porcine semen. Controls on the collection, processing and movement of semen for the domestic only market is governed by The Artificial Insemination of Pigs (Scotland) Regulations 1964.

- **The Poultry Health Scheme (PHS)**

The PHS provides for a system of registration and approvals which allows establishments to export live birds and hatching eggs whilst minimising the risk of spreading certain disease that would impact on the economic wellbeing of the poultry industry. The scheme was established under Council Directive 2009/158/EC and partially transposed by the Trade in Animals and Related Products Regulations 2012.

- **Salmonella National Control Programmes (NCPs)**

The Salmonella National Control Programmes (NCPs) safeguard public health by seeking to reduce the incidence of salmonella at the farm level in breeding chickens, laying hens, broiler chickens and turkeys and more widely across the food chain. Under the NCPs the APHA undertakes inspection, official sampling and sample examination activities, as well as private laboratory proficiency testing.

- **Border Inspection Posts (BIPs)**

The controls on live animals imported from third countries are based on EU provisions. The requirements for the inspection of live animal consignments at border inspection posts arriving from third countries are implemented by and set out in The Trade in Animals and Related Products (Scotland) Regulations 2012. The APHA has responsibility for undertaking these inspections.

Rationale for Government intervention

The HM Treasury guidance “Managing Public Money” (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/686462/MPM_2018.pdf) makes clear that it is UK Government policy to charge for many publicly provided goods and services. Charging for services relieves the general taxpayer of a significant cost burden, and ensures that the cost of providing a service is properly borne by those who benefit from it. This allows for a more equitable distribution of public resources and enables lower public expenditure and borrowing. The Fees and Charges section of the Scottish Public Finance Manual also makes clear that the standard approach to setting charges for such services is full cost recovery.

Following refinement of the APHA’s FCR model to fully align it with HM Treasury guidance, and efficiency work undertaken within the Agency, the current fees as set out in the 2013

Fees Regulations require to be updated.

The fees currently set out in the 2013 Fees Regulations were adopted following a consultation by Defra in July 2012. Defra consulted UK-wide on behalf of the Scottish and Welsh Governments. That consultation presented proposals to increase the statutory fees for services delivered in relation to Bovine Embryos, Bovine Semen, Porcine Semen (collectively known as Artificial Breeding Controls or ABCs), the PHS, BIPs, the Convention on International Trade in Endangered Species (CITES) and Salmonella NCPs to achieve FCR.

Following that consultation a phased approach to increasing the fees was chosen for ABCs, the PHS and BIPs with the first step towards FCR made in June 2013, with a view to achieving 100% FCR at a later date (2014/15). A phased increase was also chosen for CITES fees, with the first step also made in June 2013. The phased approach to increasing fees was adopted to enable businesses to adjust to higher charges. In June 2013 fees for services delivered under the Salmonella NCP, which were already at FCR, were amended in line with costs. Before APHA could increase the costs to 100% FCR as was planned, work began to fully align APHA's cost recovery model with HM Treasury Guidance. It also became necessary to factor in the results of APHA's organisational improvements and efficiencies programme undertaken between 2010 and 2014. These factors led to the APHA postponing the planned move to FCR and launching a new consultation in October 2015.

Consultation

Within Government

The APHA has consulted and worked extensively with both the Scottish and Welsh Governments, DEFRA and Treasury on the development of its proposals to revise existing charges for statutory services.

Public Consultation

In 2014 stakeholders were provided with the opportunity to share views on the APHA's proposals to revise existing charges through Defra's 'Dialogue App' tool, and via a mailbox, with a presentation on the proposals placed on the now archived AHVLA website:

<http://webarchive.nationalarchives.gov.uk/20140707135733/http://www.defra.gov.uk/ahvla-en/tests-and-services/charges-for-ahvla-services/>

The feedback received from stakeholders helped to inform and shape APHA's formal consultation which was launched on 26 October 2015. The formal consultation ran for seven weeks (rather than the usual 12) as the APHA's proposals relate to a change in fee levels not policy. Additionally, extensive stakeholder engagement had already taken place in 2014. APHA consulted GB-wide on behalf of the Scottish and Welsh Governments and DEFRA. APHA's consultation paper can be found here: https://consult.defra.gov.uk/apha/apha-seeks-views-on-revised-fees-for-statutory-se/supporting_documents/Tranche%201%20Consultation%20Document.pdf.

APHA's consultation report which sets out the views of stakeholders and APHA's response was published on 10 April 2018. The report can be found here:

<https://www.gov.uk/government/consultations/charges-for-statutory-services-provided-by-apha-proposed-changes>.

Business

All businesses had the opportunity to respond to the APHA's proposal to revise existing charges. Clearly however there are specific businesses that will be more significantly affected by any proposal to revise charges, and accordingly the APHA ensured that such businesses were targeted for consultation. Businesses in Scotland targeted for consultation included:

- 2 Agriculture Ltd
- APMC SPF Genebank
- AI Services (NI) Ltd
- Andrew Melling Ltd
- Aviagen UK Ltd
- Deerpark Pedigree Pigs
- Embryonics - part of Willows Veterinary Group
- Glenrath Farms
- Jim Cameron Livestock Services
- JJ Genetics
- Jo Fairley (VO) Lead Boars
- The Scottish Eggs Producer Retailers' Association
- The Vale Veterinary Centre
- University of Edinburgh
- Wern Veterinary Surgery
- West Kington Stallion Centre
- Westmorland Veterinary Centre

Options

Option 1: No intervention:

Fees would be maintained at current levels. This is not considered a realistic option because it does not achieve the desired outcome of full cost recovery. It does however provide a baseline against which other options can be assessed.

Benefit: On the whole the benefits will go to those businesses to whom the APHA provide a service as the cost of providing those services will continue to be subsidised by the taxpayer.

Option 2: Revise current fees to FCR rates as per previous (summer 2012) consultation:

Under this option fees would be increased to the FCR levels proposed in the 2012 consultation. Travel time would be charged at the standard rate for the officer undertaking the work, with no upper limit. The majority of charges would increase significantly compared to those currently set out in the 2013 Fees Regulations.

Benefit: The services provided to businesses would be self-funding and the costs borne by those who benefit from those services. This would allow for the redeployment of public funds to vital public services.

Option 3: Revise current fees to new FCR rates from June 2018:

Following discussions with HMT, the Agency has revised its FCR model to ensure that only the proportion of cost which results from the chargeable activities are included in the calculation of the fees, e.g. costs relating to the emergency resilience aspect of the Agency's work, including a significant proportion of its corporate estate, have been excluded from the revised cost recovery model as these costs are not directly attributable to the chargeable activity.

Under this option fees would be updated in line with the revised FCR model, which includes a cap on charging for travel time (a 90 min cap would apply which includes the return journey).

Benefit: The key benefit is that it transfers the cost of providing statutory services from the taxpayer to those businesses that benefit from the services delivered by the APHA. This allows for the redeployment of public funds to vital public services. Businesses would (in the main) benefit from lower fees (compared to option 2) and the introduction of the 90 minute cap on travel time, which will particularly benefit rurally based businesses.

Option 3 is the preferred option for each area of activity as it delivers FCR based on the Agency's revised methodology, reduces many of the current fees and introduces a fair and consistent approach to charging for travel time, including a 90 minute cap (i.e. any travel time over and above 90 mins will be met from the public purse).

Summary of statutory services and options under consideration

As noted above, there are six activity areas where APHA propose to revise charges. These are:

- **Bovine embryos**

Specific controls are in place to monitor the conditions under which Bovine embryos are collected, identified and traced. These controls help guard against diseases which could be transferred via embryos and facilitate trade. APHA has responsibility for licensing Bovine embryo (collection, production and transfer) teams and storage centres. As of March 2018, there are 19 bovine embryo collection teams in GB, 4 of which operate within Scotland. Two of these Teams have an Embryo production approval of which 1 operates in Scotland.

The 2013 Fees Regulations set out the fees to cover these services. The charges set out in the 2013 Fees Regulations reflected the first increase in charges since The Bovine Embryo (Collection, Production and Transfer) (Fees) Regulations 1995, and were the first stage of a 2-part phased increase to achieve FCR.

Options:

Option 1: No intervention

Maintain fees at current levels (i.e. as set out in the 2013 Fees Regulations) with the Government continuing to partially subsidise these activities using taxpayers money. This is not considered a realistic option because it does not achieve the desired outcome of FCR, but provides a baseline against which other options can be assessed.

Option 2: Revise current fees to the 2012 consultation FCR rates

Fees are increased to the rates proposed in the consultation that took place in 2012 (i.e. updated to 100%). Travel time would be charged at the standard rate for the officer undertaking the work, with no upper limit.

Option 3: Revise current fees to new FCR rates

Fees are collected at the revised FCR rates, including fees for travel, but with a 90 minute upper ceiling. Any travel time over and above 90 minutes would be publicly subsidised.

Option 3 is the preferred option as this provides full cost recovery based on the revised FCR model. This option reduces the cost of certain activities and incorporates a fair and consistent way of charging for staff travel time. This is considered to be the fairest method of charging customers for the cost of delivering this service.

Structure of fees

The fee structure proposed for Bovine embryo services includes:

- A fixed admin fee which covers the administrative cost of delivering the specific activity, plus;
- A variable fee, charged per 15 minutes for veterinary staff time in relation to the specific activity, plus;
- A variable fee, based on the journey time for veterinary staff travel time in relation to the specific activity (a maximum ceiling of 90 minutes applies, including the return journey).

Expected level of business impact

Revising fees in line with Option 3 would result in an overall increase in costs to the GB Bovine embryo industry of approximately £5,000 a year relative to the baseline, and approx. £1,000 in Scotland based on a 17% market share. This compares to an anticipated increase of £11,000 through Option 2 (approx. £2,000 in Scotland). There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued. So, whilst the net effect of these changes is to increase the fees from their current levels that increase will be less than it would be under option 2.

Bovine Embryos: Fees Comparison

Fees payable in connection with activities for the purpose of The Bovine Embryo (Collection, Production and Transfer) Regulations 1995		
Activity	New Fee £	Current Fee (50% FCR) £
Time spent by a veterinary officer when carrying out activities listed in this Table (in addition to each of the fees listed below)	16 per quarter hour or part quarter hour spent ↑	23 per half hour or part half hour spent

Time spent by a veterinary officer travelling to and from premises for the purposes of the activities listed in this Table (in addition to each of the fees listed below)	21 per quarter hour or part quarter hour spent ↑	Not previously charged for
Considering an application for approval of or re-approval of: (a) - a bovine embryo transfer team; (b) - a store under regulation 13 of the 1995 Regulations; (c) - a store under regulation 16 of the 1995 Regulations; (d) - a store and its supervisor under regulations 16 and 19, of the 1995 Regulations; or (e) - a single bovine embryo collection or production team (with or without an inspection of a laboratory)	28 ↓	A – D was 60 E – was 168
Considering an application for approval of each additional laboratory or store from the same applicant where the inspection is completed on the same day	9 ↓	86
Considering an application for re-approval of a laboratory or a store following any alterations	25 ↓	71
Carrying out routine inspection of records of a single bovine embryo production, collection or transfer team, and re-inspection of a single laboratory or store	17 ↓	70
Carrying out routine inspection of records of each additional bovine embryo production, collection or transfer team, and re-inspection of each additional laboratory or store	4 for each additional team and laboratory or store ↓	41

- **Bovine semen**

Controls on Bovine semen are necessary to prevent the spread of certain animal diseases transmitted through semen which can affect the economic wellbeing of the livestock industry. APHA licences Artificial Insemination Centres, approves and samples donor animals, and controls the conditions under which semen is collected, identified and traced. As of March 2018, there were 8 Bovine Semen Collection Centres in GB (4 Companies) none of these are located in Scotland. There are 8 Bovine Semen Storage Centres of which 1 is located in Scotland. There are also 9 Domestic Bovine Semen Storage Centres of which 1 is located in Scotland.

The 2013 Fees Regulations set out the fees to cover these services. The charges set out in the 2013 Fees Regulations reflected the first increase in charges since The Bovine Semen (Scotland) Regulations 2007, and were the first stage of a 2-stage phased increase to achieve FCR.

Options:

This section summarises the options under consideration and proposals for revised fees to achieve FCR for Bovine semen services.

Option 1: No intervention

Maintain fees at current levels (i.e. as set out in the 2013 Fees Regulations) with the Government continuing to partially subsidise these activities using taxpayers money. This is not considered a realistic option because it does not achieve the desired outcome of FCR, but provides a baseline against which other options can be assessed.

Option 2: Revise current fees to 2012 consultation FCR rates

Fees are increased to the rates proposed in the consultation that took place in 2012 (i.e. uprated to 100%). Travel time would be charged at the standard rate for the officer undertaking the work, with no upper limit.

Option 3: Revise current fees to the new FCR rates

Fees are collected at the revised FCR rates, including fees for travel, but with a 90 minute upper ceiling. Any travel time over and above 90 minutes would be publicly subsidised.

Option 3 is the preferred option as this provides full cost recovery based on the revised FCR model. This option reduces the cost of certain activities and incorporates a fair and consistent way of charging for staff travel time. This is considered to be the fairest method of charging customers for the cost of delivering this service.

Structure of fees

The fee structure proposed for Bovine semen services includes:

- A fixed admin fee which covers the administrative cost of delivering the specific activity, plus;
- A variable fee, charged per 15 minutes for veterinary staff time in relation to the specific activity, plus;
- A variable fee, based on the journey time for veterinary staff travel time in relation to the specific activity (a maximum ceiling of 90 minutes applies, including the return journey).

APHA laboratory services for testing of samples are provided on a commercial basis, and do not form part of the statutory fee.

Expected level of business impact

The introduction of FCR fees through Option 3 would result in an overall increase in costs (including laboratory fees) to the GB Bovine semen industry of approximately £74,000 a year relative to the baseline, and approx. £24,000 in Scotland based on a 32% market share. This compares to an anticipated increase of £68,000 through Option 2 (approx. £22,000 in Scotland).

Bovine Semen: Fees Comparison

Fees payable by applicants and operators in connection with activities for the purposes of the 2007 Regulations		
Activity	New Fee £	Current Fee (50% FCR)

		£
Time spent by a veterinary officer carrying out the licensing or approval activities in this Table (in addition to each of the fees listed in column 2 below)	16 per quarter hour or part quarter hour spent ↑	23 per half hour or part half hour spent
Time spent by a veterinary officer travelling to and from premise for the purposes of the activities specified in column 1 of this Table (in addition to the other fees listed below)	21 per quarter hour, or part quarter hour spent, up to a maximum of 126 ↑	Travel time not previously charged for
Considering an application under regulation 7 of the 2007 Regulations for approval of a bovine animal for use in a domestic collection centre or at unlicensed premises, or an application under regulation 10 of the 2007 Regulations for approval of the use of a bovine animal for collection of its semen or for use as a teaser animal at unlicensed premises	20 ↓	38
Considering an application under regulation 7 of the 2007 Regulations for approval of a bovine animal for use in an EC collection centre	26 ↓	Variable fee depending on animal age – either 187 or 368
Considering an application made under regulation 4 of the 2007 Regulations for a licence to operate an EC quarantine centre	29 ↓	114
Considering an application made under regulation 4 of the 2007 Regulations for a licence to operate: (a) an EC collection centre, (b) domestic collection centre, (c) an EC storage centre, or (d) a domestic storage centre	27 ↓	Collection centre was 146. Storage centre was 63.
Conducting an examination of a bovine semen centre under regulation 40 of the 2007 Regulations	17 ↑	14
Conducting a routine examination of an approved bovine animal for domestic or EC use	23 ↑	Not previously charged for

There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued.

- **Porcine semen**

Controls on Porcine semen are necessary to prevent the spread of certain animal diseases transmitted through semen which can adversely affect the economic wellbeing of the livestock industry. The APHA licences Artificial Insemination Centres, approves and samples donor animals and controls the conditions under which semen is collected, identified and traced. As of March 2018, there were 11 Porcine Semen Collection Centres in GB (4 companies). There is 1 Centre located in Scotland. There are also 3 Domestic Porcine Semen Collection Centres in GB with 1 of these located in Scotland.

The 2013 Fees Regulations set out the fees to be charged for these services. The charges set out in the 2013 Fees Regulations reflected the first increase in charges since The

Porcine Semen (Fees) (Scotland) Regulations 2007, and were the first stage of a 2-stage phased increase to achieve FCR.

Options under consideration

Option 1: No intervention

Maintain fees at current levels (i.e. as set out in the 2013 Fees Regulations) with the Government continuing to partially subsidise these activities using taxpayers money. This is not considered a realistic option because it does not achieve the desired outcome of FCR, but provides a baseline against which other options can be assessed.

Option 2: Revise current fees to 2012 consultation FCR rates

Fees are increased to the rates proposed in the consultation that took place in 2012 (i.e. updated to 100%). Travel time would be charged at the standard rate for the officer undertaking the work, with no upper limit.

Option 3: Revise current fees to new FCR rates

Fees are collected at the revised FCR rates, including fees for travel with a 90 minute upper ceiling. Any travel time over and above 90 minutes will be publicly subsidised.

Option 3 is the preferred option as this provides full cost recovery based on the revised FCR model. This option reduces the cost of certain activities and incorporates a fair and consistent way of charging for staff travel time. This is considered to be the fairest method of charging customers for the cost of delivering this service.

Structure of fees

The fee structure proposed for Porcine semen services includes:

- A fixed admin fee which covers the administrative cost of delivering the specific activity, plus;
- A variable fee, charged per 15 minutes for veterinary staff time in relation to the specific activity, plus;
- A variable fee, based on the journey time, for veterinary staff travel time in relation to the specific activity (a maximum ceiling of 90 minutes applies, including the return journey).

APHA laboratory services for testing of samples are provided on a commercial basis, and do not form part of the statutory fee.

Expected level of business impact

The introduction of FCR fees through Option 3 would result in an overall increase in costs (including laboratory fees) to the GB Porcine semen industry of approximately £65,000 a year relative to the baseline, and approx. £15,000 in Scotland based on a 23% market share. This is in comparison to an anticipated increase of £59,000 through Option 2 (£14,000 in Scotland).

Porcine Semen: Fees Comparison

Fees payable in connection with activities for the purposes of the 1964 Regulations and the 1992 Regulations		
Activity	New Fee £	Current Fee (50% FCR) £
Time spent by a veterinary officer carrying out the licensing or approval activities in this Table, in addition to each of the fees listed in column 2 below (in this Table the “time fee”) unless otherwise specified	16 per quarter hour or part quarter hour spent. ↑	23 per half hour or part half hour spent.
Time spent by a veterinary officer travelling to and from premises for the purpose of the activities specified below (in addition to the other fees listed in column 2 of this Table)	21 per quarter hour or part quarter hour spent, up to a maximum of 126. ↑	Travel time not previously charged for.
Application for approval of boars to provide semen for the purposes of artificial insemination		
Considering an application for the approval of a boar under regulation 2(1) of the 1964 Regulations for the purpose of the collection of semen	31 per boar ↓	92
Routine testing of boars		
Routine testing of a boar at an artificial insemination centre	23 per boar ↑↓	140 for up to a max of 10 boars, then 19 per additional boar.
Operation of an artificial insemination centre		
Considering an application from an operator for an artificial insemination centre licence or approval	27 ↓	29
Considering an application for approval of an alteration to licensed premises or approved premises (in accordance with conditions attached to the licence)	25 ↓	29
Routine examination of an artificial insemination centre	17 ↑	9

There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued.

- **Poultry Health Scheme**

The Poultry Health Scheme provides for a system of registration and approvals which allows establishments to export live birds and hatching eggs whilst minimising the risk of spreading certain diseases inimical to the poultry industry. As of March 2018, there were 26 companies, representing 240 premises in GB, with 2 companies, representing 57 premises in Scotland that are members of the Poultry Health Scheme.

The 2013 Fees Regulations set out the fees charged for these services. The charges set out in the 2013 Fees Regulations reflected the first increase in charges since The Poultry Health Scheme (Fees) (Scotland) Regulations 2012, and were the first stage of a 2-part phased increase to achieve FCR.

There is currently a system of approval/registration and inspection of premises to ensure that businesses are compliant with the relevant legislation. Defra and Scottish Government approve private laboratories to undertake testing of operator samples. Fees for statutory services in relation to the Poultry Health Scheme are charged under section 56 of the Finance Act 1973.

Options under consideration

Option 1: No intervention

Maintain fees at current levels (i.e. as set out in the 2013 Fees Regulations) with the Government continuing to partially subsidise these activities using taxpayers money. This is not considered a realistic option because it does not achieve the desired outcome of FCR, but provides a baseline against which other options can be assessed.

Option 2: Revise current fees to 2012 consultation FCR rates

Fees are increased to the rates proposed in the consultation that took place in 2012 (i.e. uprated to 100%). Travel time would be charged at the standard rate for the officer undertaking the work, with no upper limit.

Option 3: Revise current fees to new FCR rates

Fees are collected at the revised FCR rates, including fees for travel with a 90 minute upper ceiling. Any travel time over and above 90 minutes will be publicly subsidised.

Option 3 is the preferred option as this provides full cost recovery based on the revised FCR model. This option reduces the cost of certain activities and incorporates a fair and consistent way of charging for staff travel time. This is considered to be the fairest method of charging customers for the cost of delivering this service.

Structure of fees

The fee structure proposed for Poultry Health Scheme services includes:

- A fixed admin fee which covers the administrative cost of delivering the specific activity, plus;
- A variable fee, charged per 15 minutes for veterinary staff time in relation to the specific activity, plus;
- A variable fee, based on the journey time, for veterinary staff travel time in relation to the specific activity (a maximum ceiling of 90 minutes applies, including the return journey).
- Separately, fixed fees for services provided to operators of laboratories.

Expected level of business impact

The introduction of FCR under Option 3 would result in lower overall costs to the GB Poultry industry (including laboratory operators) of approximately £6,000 a year relative to the baseline, and approx. £2,000 in Scotland based on a 33% market share. This is in comparison to an anticipated overall increase in costs to the GB Poultry industry (including laboratory operators) of £14,000 per year through Option 2 (£4,000 in Scotland).

Poultry Health Scheme: Fees Comparison

Fees for registration and approval of an establishment for the purposes of the poultry health scheme		
Activity	New Fee £	Current Fee (50% FCR) £
Time spent by a veterinary officer carrying out the licensing or approval activities in this Table (in this table the “time fee”), in addition to the fees listed in column 2 below unless otherwise specified.	16 per quarter hour or part quarter hour spent. ↑	23 per half hour or part half hour spent.
Time spent by a veterinary officer travelling to and from the premises of a poultry health scheme member (in this Table a “scheme member”) for the purposes of the activities specified in column 1.	21 per quarter hour or part quarter hour spent, up to a max of 126. ↑	Travel time not previously charged for.
Annual registration as a poultry health scheme member.	55 (time fee does not apply) ↓	61
Approval for first year of a scheme member’s flock or hatchery, or combined flock and hatchery on one site, where the inspection is carried out by a veterinary officer.	27 ↓	233
Annual re-approval of a scheme member’s flock or hatchery, or combined flock and hatchery on one site, where the inspection is carried out by a veterinary officer.	56 ↓	183
Additional site re-approval where a scheme member applies at the same time for multiple sites, and the inspection is carried out by a veterinary officer.	31 ↑	Not previously charged for
Annual re-approval of a scheme member’s flock or hatchery, or combined flock and hatchery on one site, where the inspection is carried out by a veterinary surgeon who is not a veterinary officer.	54 (time fee does not apply) ↓	74
Additional site re-approval where a scheme member applies at the same time for multiple sites, and the inspection is carried out by a veterinary surgeon who is not a veterinary officer.	29 (time fee does not apply) ↑	Not previously charged for

Fees payable by the operator of a laboratory in relation to an approval for the purposes of the poultry health scheme		
Activity	New Fee £	Current Fee (50% FCR) £
Processing an application for an initial laboratory approval or an annual renewal of a laboratory approval	73 ↑	43
Proficiency test in respect of <i>Salmonella</i> bacteriology (<i>pullorum</i> , <i>gallinarum</i> and <i>arizonae</i>)	131 per test	131
Proficiency test in respect of <i>Salmonella</i> serology (<i>pullorum</i> , <i>gallinarum</i>)	321 per test ↓	336
Proficiency test in respect of <i>Mycoplasma</i> chicken serology (<i>gallisepticum</i>)	321 per test ↓	336

Proficiency test in respect of <i>Mycoplasma</i> culture (<i>gallisepticum</i> and <i>meleagridis</i>)	281 per test	281
Proficiency test in respect of <i>Mycoplasma</i> turkey serology (<i>gallisepticum</i> and <i>meleagridis</i>)	336 per test	336

There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued.

- **Salmonella National Control Programmes**

The Salmonella National Control Programmes (NCPs) safeguard public health by reducing the incidence of Salmonella at the farm level in the breeding chicken, laying chicken, broiler chicken and turkey sectors and throughout the food chain. The APHA undertakes inspection, official sampling and sample examination activities, as well as private laboratory proficiency testing. Defra and Scottish Government approve private laboratories to undertake testing of operator samples. These are statutory services, underpinned by EU legislation, which mitigate against disease spread and facilitate and encourage trade.

Salmonella NCP fees were introduced in 2007 and updated to FCR in 2010. The 2013 Fees Regulations subsequently revised fees again (to 100% FCR) to reflect the increased cost of delivering these services.

Options under consideration

Option 1: No intervention

Maintain fees at current levels (i.e. as set out in the 2013 Fees Regulations) with the Government continuing to partially subsidise these activities using taxpayers money. This is not considered a realistic option because it does not achieve the desired outcome of FCR, but provides a baseline against which other options can be assessed.

Option 2: Revise current fees to 2012 consultation FCR rates

Option 2 is not applicable for Salmonella NCP, as the rates implemented following the previous consultation were at FCR, based on methodology and costs of delivering the service at that time.

Option 3: Revise current fees to new FCR rates

Fees are collected at the revised FCR rates including fees for travel with a 90 minute upper ceiling. Any travel time over and above 90 minutes will be publicly subsidised.

Option 3 is the only valid option for Salmonella NCPs as this provides full cost recovery based on the revised FCR model. This option also reduces the cost of certain activities and incorporates a fair and consistent way of charging for staff travel time. This is considered to be the fairest method of charging customers for the cost of delivering this service.

Structure of fees

The fee structure proposed for Salmonella NCP services includes:

- A fixed admin fee which covers the administrative cost of delivering the specific activity, plus;
- A variable fee, charged per 15 minutes for technical staff time in relation to the specific activity, plus;
- A variable fee, based on the journey time, for technical staff travel time in relation to the specific activity (a maximum ceiling of 90 minutes applies, including the return journey), plus;
- A fixed fee for any laboratory services provided by APHA (where applicable).
- Separately, fixed fees for services provided to operators of laboratories wishing to seek approval to undertake testing of operator samples under these programmes.

Currently, operators of laboratories are charged a fixed fee for approval of their laboratories, or annual renewal of laboratory approvals. Although the proposal is to increase this fee, it is intended that the renewal of laboratory approvals will only be required once every 2 years (biennial) in the future. The increase in this fee is owing to a review of the processes and staff involved in this work, which highlighted that the APHA is not currently covering the full cost of providing this service.

Expected level of business impact

The introduction of FCR fees through Option 3 would result in an overall increase in cost to the GB poultry industry of approximately £14,500 a year relative to the baseline, based on typical visit and travel times, and £1,000 in Scotland based on a 6% market share.

Salmonella NCPs: Fees Comparison

Fees payable by the person in charge of a chicken or turkey holding from which an official control sample is taken, processed and examined for the purposes of Regulation (EC) No 2160/2003		
Activity	New Fee £	Current Fee (100% FCR) £
Time spent obtaining an official control sample for examination in a laboratory (in this table the “time fee”) (in addition to the fees specified in column 2 below, unless otherwise specified.	9 per quarter hour or part quarter hour spent. ↓	23 per half hour or part half hour spent.
Time spent travelling to and from premises for the purpose of obtaining an official control sample (in addition to any other fees specified in column 2.	14 per quarter hour or part quarter hour spent, up to a maximum fee of £84. ↑	Travel time not previously charged for.
Taking an official control sample from a chicken laying flock.	32 ↓	60
Taking an official control sample from a chicken or turkey breeding flock.	52 ↓	87 (turkey) 96 (chicken)
Taking an official control sample from a chicken broiler flock or turkey fattening flock.	72 ↓	87 (turkey) 89 (chicken)
Examination of an official control sample in a laboratory.	14 per sample examined (time fee does not apply). ↓	15 per sample examined.

Fees payable by the operator of a laboratory in relation to approval under Article 12 of Regulation (EC) No 2160/2003			
Activity	New Fee £		Current Fee (100% FCR) £
Processing an application for an initial laboratory approval or a biennial renewal of a laboratory approval	73 ↑		43
Conducting inspections and quality assurance based upon the number of tests for which the laboratory is approved	one test	350 ↓	642
	two tests	361 ↓	661
	three tests	372 ↓	681
	four tests	384 ↓	700
Conducting collaborative testing required to obtain and maintain approvals as a testing laboratory	for <i>salmonella</i>	34 per test ↓	37 per test

Fees payable by the person in charge of poultry flocks for conducting tests under point 4(b) of Part D of Annex II of Regulation (EC) No 2160/2003		
Activity	New Fee £	Current Fee (100% FCR) £
Conducting tests on seven dust and faecal samples taken from each flock	15 per sample tested	15
Conducting bacteriological sampling and testing of the caeca and oviducts of 300 birds in each flock	2,470 ↓	3560
Conducting bacteriological sampling and testing of the shell and the content of 4,000 eggs of each flock	3,080 ↑	2310

There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are already issued.

- **Border Inspection Posts (BIPs)**

Those importing live animals from outside the EU have a responsibility to ensure that they do not introduce disease and that animal welfare is not compromised during transport. A veterinary inspection is carried out at the border to ensure this is the case and a charge is made for this service. Live animals may only enter the EU at specifically approved points of entry, called Border Inspection Posts, where they are subject to checks. The fee currently charged for these inspections is set out in the 2013 Fees Regulations. The actual fee charged is dependent on the service provided.

The charges currently set out in the 2013 Fees Regulations in respect to BIPs were the first stage of a 2-part phased increase to achieve FCR. Following an efficiency review by the APHA of Border Inspection Post work processes to ensure they are as efficient as possible and the introduction of a new FCR Model aligned to HM Treasury guidance (Managing Public Money), revised fees have been calculated and will replace those set out in the 2013 Fees Regulations. In addition, travel costs which were originally excluded from the fees will now be included and charged to customers. These fees will be charged on a GB-wide basis.

In 2017 GB imported 8822 consignments of live animals from third countries and of those, 970 were into Scotland. The total number of BIPs in the UK is 6, with 2 of these being in Scotland.

Options under consideration

Option 1: No intervention

Maintain fees at current levels (i.e. as set out in the 2013 Fees Regulations) with the Government continuing to partially subsidise these activities using taxpayers money. This is not considered a realistic option because it does not achieve the desired outcome of FCR, but provides a baseline against which other options can be assessed.

Option 2: Revise current fees to 2012 consultation FCR rates.

Fees are increased to the rates proposed in the consultation that took place in 2012 (i.e. uprated to 100%). Travel time would not apply under this option.

Option 3: Revise current fees to new FCR rates.

Introduce revised fees based on the new FCR model which includes a capped charge for staff travel time.

Option 3 is the preferred option as this provides FCR based on the revised model, limits changes to the current fees and ensures that costs associated with staff travel time can be recovered (subject to the 90 min cap).

Structure of fees

The fee structure proposed for BIP services includes:

- A fixed fee which covers the full cost of delivering the specific activity during normal office hours, plus;
- Where applicable, an out of hours surcharge, charged in addition to the fixed fee when work is completed outside of normal working hours. This is designed to cover the cost of travel to the BIP, and increased staff rates required to complete the work, plus;
- Where applicable, a variable fee, charged per 15 minutes for Veterinary or Technical staff time in relation to the specific activity when avoidable delays are incurred – for example incorrect paperwork completed by customer which requires telephone enquiries to be made.

Out of hours surcharges apply for every load subject to inspection undertaken (whether in whole or in part):

- during a weekend.
- after 17.00 hours but before 08.30 hours on a weekday.
- during a public holiday.

“Load” means one or more consignments of animals from the same country of origin that have arrived on the same means of transport and presented by a person responsible for their importation for checking at the BIP at the same time.

Expected level of business impact

We anticipate that, based on 2016/17 volumes of inspections at Border Inspection Posts, the introduction of FCR under Option 3 would result in an overall increase in costs to the GB imports sector of approximately £70,000 a year, relative to the baseline, approx. £8,000 in Scotland based on an 11% market share. This is in comparison to an anticipated increase of £450,000 (£50,000 in Scotland) were Option 2 implemented.

BIPs: Fees Comparison

Fees for inspecting consignments of live animals from third countries and checking importation documentation at border inspection posts in accordance with regulation 13 of the 2012 Regulations		
<i>Inspection of type of animal and checking documents</i>	<i>New Fee per consignment £</i>	<i>Old fee £</i>
Poultry and small game birds	65 ↑	44
Poultry eggs	38 ↑	Not previously charged for
Ratites	65 ↑	44
Captive birds	64 ↑	44
Live fish, aquatic animals and bees	32 ↓	40
Rabbits and rodents	29 ↓	44
Other insects, invertebrates, reptiles and amphibians	26 ↓	40
Pets unaccompanied by a declaration	57 ↑	44
Equidae	62 ↑	54
Farmed livestock including cattle, sheep, goats, camelids, pigs and wild boar	146 ↑	54
Animals not covered by any other category mentioned above	55 ↑	44
Transshipment check of documents	52 ↑	44

Fees for extra inspection checks due to non-compliances or additional control measures		
<i>Person undertaking extra inspection checks</i>	<i>Fee per quarter hour or per part hour spent £</i>	<i>Old Fee £</i>
Veterinary Officer – out of hours checks	17 ↑	Not previously charged for
Veterinary officer - checks during a weekend or a public holiday	23 ↑	Not previously charged for
Veterinary officer – checks at all other times	11 ↑	Not previously charged for
Time spent by a veterinary officer travelling to and from premises	16, up to a maximum of 64 per	Not previously charged for

	visit ↑	
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Additional fees for certain inspections		
<i>Period when inspection conducted</i>	<i>New Fee £</i>	<i>Old Fee £</i>
Out of hours inspection	140 per load ↑	Not previously charged for
Inspection during a weekend or a public holiday	185 per load ↑	Not previously charged for
Time spent by a veterinary officer travelling to and from premises	16 per quarter or part quarter hour spent, up to a maximum of 64 per visit ↑	Not previously charged for

There are no additional costs to business associated with receiving, processing and paying invoices as these are existing charges for which invoices are currently issued.

Scottish Firms Impact Test

APHA consulted GB-wide in October 2015 on its proposals to revise existing fees. This formal consultation was itself informed by a pre formal consultation stage (in 2014) where affected businesses, including small business operators, were invited to share their views about the impact of revising fee levels via the Defra Dialogue App tool and/or dedicated mailbox.

With the exception of BIPs, the majority of non-travel related charges are decreasing relative to the current baseline. This, no doubt, will be welcomed by all business sectors affected by the revision to existing fees. APHA's proposal to adopt option 3 and revise charges in line with the new FCR model instead of applying option 2 will also be welcomed, as it sets charges at a lower rate than would have been the case and caps staff travel time charges to a maximum of 90 mins and calculates it from the APHA field office closest to the business concerned. This, in particular, should significantly lessen the impact of travel time charges on rurally based businesses.

Competition Assessment

It is the view of the APHA that revising current fees will not impact negatively on competitiveness, as the change in fees will be introduced GB-wide. Additionally, APHA is not aware of any negative impact on business competitiveness since the fees were last revised in 2013.

Will the measure directly or indirectly limit the number or range of suppliers?

The APHA do not expect the revision of charges to directly or indirectly limit the number or range of suppliers. The charges apply equally to all businesses and therefore no one business will be disadvantaged.

Will the measure limit the ability of suppliers to compete?

As fees apply to all businesses, the APHA do not expect the revision of charges to limit the ability of suppliers to compete.

Will the measure limit suppliers' incentives to compete vigorously?

The APHA cannot foresee any reason why revising charges would limit any suppliers incentive to compete.

Will the measure limit the choices and information available to consumers?

The APHA can see no reason why revising charges would limit the choice and information available to consumers.

Test run of business forms

The revision of fees does not necessitate the introduction and/or use of any new statutory business forms. The statutory services to which these revised charges relate are already delivered by the APHA and accordingly the necessary systems and processes already exist.

Legal Aid Impact Test

As the APHA's proposals only relate to the revision of existing fees for statutory services already provided, no impact on the legal aid fund or on individuals rights to access justice via legal aid is anticipated. Additionally, the APHA do not expect the revision of fees to result in more people being taken to court. In fact, the APHA anticipate that any revision of charges will indirectly drive improvements in business operator practices, potentially resulting in fewer infringements of relevant legislation. This is because business operators are likely to want to minimise the time that APHA staff need to spend on site as less time on site means lower charges.

Enforcement, sanctions and monitoring

The APHA will be responsible for the collection of fees on behalf of the Scottish Ministers. The Scottish Government will work closely with the UK Government and APHA to ensure this legislation is implemented correctly and identify any further improvements and efficiencies that can be made as and when required.

There are no sanctions or penalties should these fees not be paid and therefore no offences to go with the regulation. The services covered by these proposals provide benefit to the industry, if the fees are not paid the service would be withdrawn and industry would no longer benefit from the provision of that service.

Implementation and delivery plan

Implementation

The legislation required to introduce the revised charges in Scotland will come into force on 30 June 2018.

Delivery Plan

As the approvals and inspection regime delivered by the APHA is already well established, no specific delivery plan is necessary. The revised fee levels for services currently provided by APHA will simply apply from 30 June 2018. The APHA, through its established approvals and inspection regime, will continue to liaise with business operators in order to identify any

difficulties arising as a consequence the revised charging.

Post-implementation review

An annual review of the impact of the revised fees on the various sectors will be undertaken by APHA. Additionally, the APHA will be routinely engaging with stakeholders in the course of delivering the aforementioned services and will assess the impact of its revised fee structure on an ongoing basis. Additionally, given the need to ensure that the fees set continue to meet the cost of providing services, it is anticipated that any future formal consultation on fees will provide opportunity to gather further evidence on the impact of charging.

Summary and recommendation

Having considered all relevant factors, including the formal stakeholder engagement and consultation and Government's stated policy of charging for statutory services, the recommended approach to revising existing charges is option 3. In adopting this option, the APHA, in response to stakeholder comments, has also committed to only deploy staff from the APHA office nearest to the business to be visited. Where this is not possible travel costs will still be calculated from the clients nearest office, up to a maximum of 90 minutes. Any travel time in excess of 90 minutes will be met from the public purse.

- **Summary costs and benefits table**

Option	Total benefit per annum: - economic, environmental, social	Total cost per annum: - economic, environmental, social - policy and administrative
Option 1: (Do nothing)	<p>No economic benefit to APHA, Government or, more importantly, the public purse would arise. Clearly, however, businesses would continue to benefit from the provision of taxpayer funded services.</p> <p>No environmental benefit would arise from the adoption of this option.</p> <p>This option fails to deliver SG / UK Government policy on charging the end user for the delivery of statutory services. Accordingly, it is unlikely to be socially acceptable to the tax payer.</p>	<p>No measurable environmental cost would arise as this option essentially means business as usual.</p> <p>In light of ongoing fiscal pressures on operational budgets and wider demands on the public purse, this option is unlikely to be socially acceptable to the tax payer.</p> <p>This option fails to deliver SG / UK Government policy on charging the end user for the delivery of statutory services. Government would retain responsibility for funding these services using tax payers money at a time when demands on the public purse are considerable.</p>
Option 2: (Revise fees to FCR rates proposed in 2012)	<p>This option would deliver benefits to the APHA, Government and the tax payer. It would ensure that businesses cover the full cost of delivering statutory services.</p>	<p>This option would be more costly to the sectors covered by these services. It would see current fee rates increase significantly with new staff travel time costs being introduced with no</p>

<p>consultation</p>	<p>Potentially, in the mid to longer term this option may deliver some environmental benefits as a consequence of fewer visits being needed due to improved compliance levels in the affected sectors (with operators having to pay for APHA's time on site, they will be keen to do all they can to ensure that visit frequency and inspection duration are minimised as far as possible). This may then result in less journeys being undertaken by APHA staff with a corresponding drop in vehicle emissions.</p> <p>The tax payer will no doubt consider this to be the more socially acceptable option also, as it ensures that those that receive a service from APHA pay for it, thereby freeing up financial resources for vital public services.</p>	<p>maximum cap. The absence of any cap would be particularly detrimental to rurally based businesses. Implementing this option would mean that the APHA's cost recovery model was not fully in line with HM treasury guidance.</p> <p>APHA estimate that were this option implemented it would see the <u>total annual</u> cost to businesses (GB-wide) increase from £1.199M to £1.8M (for Scotland it would increase from £97K to approx. £145K).</p> <p>Administratively, this option would not be more costly to either businesses or the APHA. It would simply see fees rise significantly from where they currently sit.</p> <p>The tax payer would no doubt consider this option to be socially acceptable as it ensures that those receiving a service actually pay for it, thereby freeing up resources for public services.</p>
<p>Option 3: Revise fees based on the 2015 consultation proposals (revised FCR model)</p>	<p>This option delivers benefits to Government, APHA and the tax payer. It ensures that businesses are charged fees which are less than they would be under option 2 and fully in line with treasury guidance, whilst also meeting some of the concerns of stakeholders e.g. capping the travel time that can be charged for.</p> <p>Potentially, in the mid to longer term this option may deliver some environmental benefits as a consequence of fewer visits being needed due to improved compliance levels in the affected sectors (with operators having to pay for APHA's time on site, they will be keen to do all they can to ensure that visit frequency and</p>	<p>In economic terms, under option 3, the cost to businesses of each service provided is as set out in the tables above.</p> <p>APHA estimate that were this option implemented it would see the <u>total annual</u> cost to businesses (GB-wide) increase from £1.199M to £1.42M (for Scotland it would increase from £97K to approx. £115K).</p> <p>Administratively, this option would not be more costly to either businesses or the APHA. It would simply see fees rise significantly from where they currently sit.</p> <p>It is not possible to quantify the environmental cost of adopting option 3. Potentially, however, in the mid to longer term this option may</p>

	<p>inspection duration are minimised as far as possible). This may then result in less journeys being undertaken by APHA staff with a corresponding drop in vehicle emissions.</p> <p>The tax payer will no doubt consider this to be the more socially acceptable option also, as it ensures that those that receive a service from APHA pay for it, thereby freeing up financial resources for vital public services.</p>	<p>deliver some environmental benefits as a consequence of fewer visits being needed due to improved compliance levels in the affected sectors (with operators having to pay for APHA's time on site, they will be keen to do all they can to ensure that visit frequency and inspection duration are minimised as far as possible). This may then result in less journeys being undertaken by APHA staff with a corresponding drop in vehicle emissions.</p>
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Declaration and publication

I have read the Business and Regulatory Impact Assessment and I am satisfied that a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and b) the benefits justify the costs. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

Signed:

Date:

Minister's name: Fergus Ewing MSP

Minister's title: Cabinet Secretary for the Rural Economy & Connectivity

Scottish Government contact: John Nicolson
 Animal Health & Welfare Division
 0300 244 9243

