

## EXPLANATORY MEMORANDUM TO

### THE ZOONOSES AND ANIMAL BY-PRODUCTS (FEES) (ENGLAND) REGULATIONS 2008

2008 No. 2270

1. This explanatory memorandum has been prepared by Department for Environment, Food and Rural Affairs and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

#### 2. Description

2.1 This instrument provides the Secretary of State with powers to charge farmers and operators of private laboratories in order to recover costs incurred by the government in providing the following services:

- official sampling and testing of Salmonella in laying flocks of domestic fowl
- official sampling and testing of Salmonella in Breeding flocks of domestic fowl
- approval of private laboratories to carry out testing under the Poultry breeding flocks and Hatcheries Order 2007 and the Animal By-products regulations 2005

#### 3. Matters of special interest to the Joint Committee on Statutory Instruments

*For official sampling and testing under the laying flocks NCP*

- The estimate of total costs to business in England for official sampling and testing of laying flocks ranges per annum ranges from **£165,000 to £240,000 per annum.**
- The cost per annum for each holding would range from **£110 to £160.**

*For official sampling and testing under the breeding flocks NCP*

- The estimate of total costs to business in England for official sampling and testing of breeding flocks ranges per annum ranges from **£187,500 to £262,500 per annum.**
- The average cost per annum for each holding would range from **£375 to £525**

*For the laboratory approval scheme*

- the total combined cost to laboratories in England was estimated to be **£19,235 per annum** (average **£418 per annum** per lab).

#### 4. Legislative Background

4.1 The Zoonoses and Animal By-Products (Fees) (England) Regulations 2008, which replace legislation introduced in August 2007, impose new costs on operators of laying flocks for the collection and examination of official controls under the national control programme (NCP) for Salmonella in laying flocks which started on 1 February 2008.

4.2 In order to reflect changes in the costs faced by delivery agents, Animal Health and VLA, in providing services the Regulations also amend the level of charging for official

sampling of breeding flocks and charges to laboratories under the approved laboratory scheme (as required under the Animal By-Products Regulations 2005 [or/and] Regulation (EC) No 2160/2003).

- 4.3 This instrument is made under section 56(1) and (2) of the Finance Act 1973 which permits a Government department to require the payment of fees or other charges for the provision of any services or facilities or the issue of any authorisation, certificate or other document, in pursuance of any Community obligation. As an instrument made under the Finance Act 1973, the Regulations are subject to Treasury consent.
- 4.4 The Control of Salmonella in Poultry Order 2008 enforces National Control Programmes (NCP) for breeding and laying flocks of domestic fowl. The NCPs set out the new requirements for the monitoring and control of Salmonella in breeding flocks and laying of Regulation (EC) No 2160/2003, Regulation (EC) No 1003/2005 and Regulation (EC) No 1168/2006.
- 4.5 In order to chart progress towards meeting the reduction target specified in the EC legislation breeding flocks will be required to provide official control samples on three occasions during the production cycle and each laying holding must provide at least one official sample from one flock each year. Official control samples will then be tested at the National Reference Laboratory. Charges are made to recover costs incurred by the State Veterinary Service (SVS) in their role in managing the collection of official samples on behalf of the Secretary of State and by the Veterinary Laboratories Agency (VLA) in examining any samples received.
- 4.6 The Poultry Order also requires operators of breeding and laying flocks to provide the Secretary of State with certain information relating to those flocks, and imposes record-keeping requirements. This legislation was the subject of a full public consultation in 2007. An Impact Assessment was prepared and is available at [http://www.opsi.gov.uk/si/si2007/em/uksiem\\_20073574\\_en.pdf](http://www.opsi.gov.uk/si/si2007/em/uksiem_20073574_en.pdf)
- 4.7 The proposed fees regulation will also allow for VLA and Defra to recover costs for services in respect to the approved laboratory scheme. Under this scheme private laboratories are authorised by the competent authority to test operator samples for Salmonella under the National Control Programmes and Salmonella, Enterobacteriaceae, Clostridium Perfringens and other organisms as required under the Animal By-products Regulations 2005.

## **5. Territorial Extent and Application**

- 5.1 This instrument applies to England.

## **6 European Convention on Human Rights**

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7 Policy background**

- 7.1 This regulation will be introduced to ensure that the Secretary of State is able to recover costs for services provided by Government in relation the implementation of European Legislation on the control of Salmonella and other zoonotic diseases in primary production.

## **8 Impact**

- 8.1 An Impact Assessment is attached to this memorandum which describes in detail the impact and associated costs related to the proposed legislation

## **9 Contact**

John Conway at the Department of Environment, Food and Rural Affairs.  
Tel 020 7238 5922 or e-mail: [john.conway@defra.gsi.gov.uk](mailto:john.conway@defra.gsi.gov.uk) can answer any queries regarding the instrument.

## Summary: Intervention & Options

<b>Department /Agency:</b> Department for Environment, Food and Rural Affairs	<b>Title:</b> Impact Assessment of The Zoonoses and Animal By- Products (Fees) (England) Regulations 2008	
<b>Stage:</b> Final Proposal	<b>Version:</b> 1	<b>Date:</b> 29 July 2008
<b>Related Publications:</b> Impact Assessment of The Control of Salmonella in Poultry Order 2007		

**Available to view or download at:**

**Contact for enquiries:** David Collins

**Telephone:** 020 7238 5915

### What is the problem under consideration? Why is government intervention necessary?

Regulation (EC) 2160/2003 requires the introduction of *Salmonella* National Control Plans in order to improve public health through the detection and control of salmonellas of human health significance in primary production. A key component of these plans is the need for official samples to be taken on farm. Charges on industry are proposed to cover costs incurred by Animal Health in their role in managing the collection of official samples on behalf of the Secretary of State and by the Veterinary Laboratories Agency (VLA) in examining any samples received.

This IA does not seek to consider the costs and benefits of the NCPs which are the subject of separate legislation. The IA looks at the distributional impacts of the fees regulations, in effect the transfer of costs from Government to industry.

The proposed fees regulation will also allow for VLA and Defra to recover costs for services in respect to the approved laboratory scheme. Under this scheme private laboratories are authorised by the competent authority to test operator samples for:

- *Salmonella* under the National Control Programmes (as required under EU Regulations (EC) No 2160/2003, (EC) No 1003/2005 and (EC) No 1168/2006); and
- *Salmonella*, *Enterobacteriaceae*, *Clostridium Perfringens* and other organisms as required under the Animal By-Products Regulations 2005.

Without the proposed legislation the Secretary of State would be unable to set fees at a level to achieve full cost recovery, to avoid providing either a subsidy, or a source of taxation, through the administration of this scheme.

Charging for these services is in accordance with Defra's overall rationale for charging. If an industry or group, or individual undertakes an activity that causes an adverse effect on others (such as pollution or risk of disease), and which requires regulation or which receives benefits from the regulation or service, it should face the cost of enforcing and implementing the regulation. Furthermore where charges are applied for services they should aim for full cost recovery.

**What are the policy objectives and the intended effects?**

This regulation will be introduced to ensure that the Secretary of State is able to recover costs for services provided by Government in relation the implementation of European Legislation on the control of Salmonella and other zoonotic diseases in primary production.

The regulation is necessary as the existing powers in The Zoonoses and Animal By-Products (Fees) (England) Regulations 2007 did not allow for charging for official samples taken from commercial laying flock holdings in England. Charges for which existing powers for recovery existed under the previous regulations have been updated to reflect expected costs to the providers for financial year 2008/9.

**What policy options have been considered? Please justify any preferred option.**

Two main options have been considered in relation to the level of charging for the collection of official samples by Animal Health to take account of significant increases in the cost of providing this service. Option 1 would be to set charging at full cost recovery and the option 2 would set charging at a reduced rate in the first year with full costs phased in over 2 years. Both option 1 and 2 allow for an industry control body that can collect official control samples from 50% of eligible holdings.

Separate scenario (scenario B) has been developed for each option where the impacts are assessed given that industry does choose to collect official control samples. These scenarios reflect our estimation of the costs and benefits of the two options under different states of the world. Namely, that an industry control body chooses to collect the official samples.

Option 2 under the control sampling scenario (B) is preferred. Under this option the charge will be phased and an industry control body will be approved to collect official samples from producers. Analysis of the costs and benefits of both options are included in this Impact Assessment. The charges are for services required to implement monitoring and controls required by EU legislation (the collection of official control samples and laboratory approvals).

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?**

Charges will be reviewed on an annual basis.

**Ministerial Sign-off For final proposal/implementation stage Impact Assessments:**

***I have read the 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.***

Signed by the responsible Minister:

Jeff Rooker

..... Date: 30th July 2008

## Summary: Analysis & Evidence

**Policy Option: 1  
(Scenario A)**

**Description: Full cost recovery - Animal Health collecting samples from all eligible layer holdings**

<b>COSTS</b>	<b>ANNUAL COST TO INDUSTRY</b>	Description and scale of <b>key monetised costs</b> by 'main affected groups'		
	<b>One-off</b>	<b>Yrs</b>	Full costs in relation to official control sampling will be passed to farm operators and to laboratory operators in relation to the administration of the Defra approved laboratory scheme.	
	<b>£ Nil</b>	<b>3</b>	<b>Business Annual Costs (layer operators)</b> :£181,500 to £256,500 (NPV over 3 years: £526,295 to £743,772.)	
	<b>Average Annual Cost (excluding one-off)</b>		<b>Business Annual added costs (breeding flock operators)</b> : - £3,000 to £3,000 (NPV over 3 years: -£8,699 to £8,699).	
<b>£180,640 - £261,640</b>		<b>Total Cost (PV)</b>		<b>£523,803 - £758,678</b>
Other <b>key non-monetised costs</b> by 'main affected groups'				

<b>BENEFITS</b>	<b>ANNUAL BENEFIT TO GOVERNMENT</b>	Government savings as public funds will not be used to support the cost of the services provided. This is merely a transfer of the costs of performing sampling from Govt to Industry. Therefore, the benefit to Govt is equal to the cost to industry.		
	<b>One-off</b>	<b>Yrs</b>	<b>Government Average Annual Benefits</b> : £180,640 to £261,640	
	<b>£ Nil</b>	<b>3</b>		
	<b>Average Annual Benefit</b>			
<b>£180,640 - £261,640</b>		<b>Total Benefit (PV)</b>		<b>£523,803 - £758,678</b>
Other <b>key non-monetised benefits</b> by 'main affected groups'				

Key Assumptions/Sensitivities/Risks:

Price Base Year 2008	Time Period Years 3	<b>Net Benefit Range (NPV)</b> <b>£ 0</b>	<b>NET BENEFIT (NPV Best estimate) £0</b>
-------------------------	------------------------	--	---

What is the geographic coverage of the policy/option?		England		
On what date will the policy be implemented?		July 2008		
Which organisation(s) will enforce the policy?		Animal Health/VLA		
What is the total annual cost of enforcement for these organisations?		£		
Does enforcement comply with Hampton principles?		Yes		
Will implementation go beyond minimum EU requirements?		N/A		
What is the value of the proposed offsetting measure per year?		£ 0		
What is the value of changes in greenhouse gas emissions?		£ 0		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small <sup>1</sup>	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline (2005 Prices)</b>		(Increase -		
Increase of £	Decrease £	<b>Net Impact</b>		£

Key: Annual costs and benefits: Constant Prices (Net) Present Value

<sup>1</sup> See small Firm impact Assessment

## Summary: Analysis & Evidence

**Policy Option: 1  
(Scenario B)**

**Description: Full cost recovery - Industry control body collecting official samples from 50% of eligible holdings**

<b>COSTS</b>	<b>ANNUAL COSTS TO INDUSTRY</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups'	
	<b>One-off</b>	<b>Yrs</b>	Full costs in relation to official control sampling will be passed to farm operators and to laboratory operators in relation to the administration of the Defra approved laboratory scheme. <b>Business Annual Costs (layer operators)</b> :£102,00 to £139,500 (NPV over 3 years: £295,769 to £404,507.) <b>Business Annual added costs (breeding flock operators)</b> : - £3,000 to £3,000 (NPV over 3 years: -£8,699 to £8,699). <b>Business Annual added Costs (laboratory operators)</b> : £2,140 (NPV over 3 years: £6,207).	
	<b>£ Nil</b>	3		
	<b>Average Annual Cost (excluding one-off)</b>		<b>Total Cost (PV)</b>	
£101,140 to £144,640		<b>£ 293,277 to £419,413</b>		
Other <b>key non-monetised costs</b> by 'main affected groups'				

<b>BENEFITS</b>	<b>ANNUAL BENEFITS TO GOVERNMENT</b>		Government savings as public funds will not be used to support the cost of the services provided. This is merely a transfer of the costs of performing sampling from Govt to Industry. Therefore, the benefit to Govt is equal to the cost to industry.	
	<b>One-off</b>	<b>Yrs</b>	<b>Government Average Annual Benefits:</b> £101,140 to £144,640	
	<b>£ nil</b>	3		
	<b>Average Annual Benefit</b>		<b>Total Benefit (PV)</b>	
£ £101,140 to £144,640		<b>£ 293,277 to £419,413</b>		
Other <b>key non-monetised benefits</b> by 'main affected groups'				

Key Assumptions/Sensitivities/Risks:

Price Base Year 2008	Time Period Years 3	<b>Net Benefit Range (NPV)</b> <b>£ 0</b>	<b>NET BENEFIT (NPV Best estimate)</b> £0
-------------------------	------------------------	--	---

What is the geographic coverage of the policy/option?		England		
On what date will the policy be implemented?		July 2008		
Which organisation(s) will enforce the policy?		Animal Health/VLA		
What is the total annual cost of enforcement for these organisations?		£		
Does enforcement comply with Hampton principles?		Yes		
Will implementation go beyond minimum EU requirements?		N/A		
What is the value of the proposed offsetting measure per year?		£ 0		
What is the value of changes in greenhouse gas emissions?		£ 0		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small <sup>2</sup>	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline (2005 Prices)</b>		(Increase -		
Increase of £	Decrease £	<b>Net Impact</b>		£

Key: Annual costs and benefits: Constant Prices (Net) Present Value

<sup>2</sup> See small firms impact assessment

**Summary: Analysis & Evidence**

**Policy Option: 2  
(Scenario A)**

**Description: Phased approach to charging for collection of official samples – Animal Health collecting samples from all eligible layer holdings**

<b>COSTS</b>	<b>ANNUAL COSTS TO INDUSTRY</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups' Partial costs in relation to collection of official control sampling will be passed to operators the farmers. Full costs in relation to examination of official control sampling laboratory operators and in relation to the administration of the Defra approved laboratory scheme will be passed to operators.  <b>Business Annual Costs (layer operators)</b> : Year 1 £165,000 to £240,000 Year 2 £172,500 to £247,500 Year 3 £181,500 to £256,500. (NPV over 3 years: £501,099 to £718,576) <b>Business Annual added Costs (breeding flock operators)</b> : Year 1 - £8,500 to -£2,500 Year 2 -£6,000 to £0 Year 3 -£3,000 to £3,000 (NPV over 3 years: -£17,098 to £300) <b>Business Annual added Costs (laboratory operators)</b> : £2,140 (NPV over 3 years: £6,207).
	<b>One-off</b>	<b>Yrs</b>	
	£ NIL	3	
	<b>Average Annual Cost (excluding one-off)</b>		
	£ 168,640 - £249, 640		
		<b>Total Cost (PV)</b>	£490,208 - £725,083
Other <b>key non-monetised costs</b> by 'main affected groups'			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS TO GOVERNMENT</b>		Government savings as public funds will not be used to support the cost of the services provided less government annual costs for phased approach. This is merely a transfer of the costs of performing sampling from Govt to Industry. Therefore, the benefit to Govt is equal to the cost to industry.  <b>Government Average Annual Benefits</b> : £ 168,640 - £249, 640
	<b>One-off</b>	<b>Yrs</b>	
	£ nil	3	
	<b>Average Annual Benefit</b>		
	£ 168,640 - £249, 640		
		<b>Total Benefit (PV)</b>	£490,208 - £725,083
Other <b>key non-monetised benefits</b> by 'main affected groups'			

**Key Assumptions/Sensitivities/Risks:**

Price Base Year 2008	Time Period Years 3	<b>Net Benefit Range (NPV)</b> £ 0	<b>NET BENEFIT (NPV Best estimate)</b> £0
-------------------------	------------------------	---------------------------------------	---

What is the geographic coverage of the policy/option?	England			
On what date will the policy be implemented?	July 2008			
Which organisation(s) will enforce the policy?	Animal Health/VLA			
What is the total annual cost of enforcement for these organisations?	£			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	N/A			
What is the value of the proposed offsetting measure per year?	£ 0			
What is the value of changes in greenhouse gas emissions?	£ 0			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small <sup>3</sup>	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline (2005 Prices)</b>		(Increase -
Increase of £	Decrease £	<b>Net Impact</b> £

<sup>3</sup> See small firms impact assessment



## Summary: Analysis & Evidence

**Policy Option: 2  
(Scenario B)**

**Description: Phased approach to charging for collection of official samples - Industry control body collecting official samples from 50% of eligible holdings**

<b>COSTS</b>	<b>ANNUAL COSTS TO INDUSTRY</b>		<p>Description and scale of <b>key monetised costs</b> by 'main affected groups' Partial costs in relation to collection of official control sampling will be passed to operators the farmers. Full costs in relation to examination of official control sampling laboratory operators and in relation to the administration of the Defra approved laboratory scheme will be passed to operators.</p> <p><b>Business Annual Costs (layer operators)</b> : Year 1 £93,750 to £131,250 Year 2 £97,500 to £135,000 Year 3 £102,000 to £139,500. (NPV over 3 years: £283,171 to £391,910)</p> <p><b>Business Annual added Costs (breeding flock operators)</b> : Year 1 - £8,500 to -£2,500 Year 2 -£6,000 to £0 Year 3 -£3,000 to £3,000 (NPV over 3 years: -£17,098 to £300)</p> <p><b>Business Annual added Costs (laboratory operators)</b> : £2,140 (NPV over 3 years: £6,207).</p>
	<b>One-off</b>	<b>Yrs</b>	
	£ Nil	3	
	<b>Average Annual Cost (excluding one-off)</b>		
£93,640- £137,140		<b>Total Cost (PV)</b>	£ 272,280 - £398,480
<b>Other key non-monetised costs by 'main affected groups'</b>			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS TO GOVERNMENT</b>		<p>Government savings as public funds will not be used to support the cost of the services provided. This is merely a transfer of the costs of performing sampling from Govt to Industry. Therefore, the benefit to Govt is equal to the cost to industry.</p> <p><b>Government Average Annual Benefits</b> : £93,640- £137,140</p>
	<b>One-off</b>	<b>Yrs</b>	
	£ Nil	3	
	<b>Average Annual Benefit</b>		
£93,640- £137,140		<b>Total Benefit (PV)</b>	£ 272,280 - £398,480
<b>Other key non-monetised benefits by 'main affected groups'</b>			

Key Assumptions/Sensitivities/Risks:

Price Base Year 2008	Time Period Years 3	<b>Net Benefit Range (NPV) £ 0</b>	<b>NET BENEFIT (NPV Best estimate) £0</b>
-------------------------	------------------------	--	---

What is the geographic coverage of the policy/option?		England		
On what date will the policy be implemented?		July 2008		
Which organisation(s) will enforce the policy?		Animal Health/VLA		
What is the total annual cost of enforcement for these organisations?		£		
Does enforcement comply with Hampton principles?		Yes		
Will implementation go beyond minimum EU requirements?		N/A		
What is the value of the proposed offsetting measure per year?		£ 0		
What is the value of changes in greenhouse gas emissions?		£ 0		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation	Micro	Small <sup>4</sup>	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline (2005 Prices)</b>		(Increase -		
Increase of £	Decrease £	<b>Net Impact</b>		£

Key:

Annual costs and benefits: Constant Prices

(Net) Present Value

<sup>4</sup> See small firms impact assessment

### 1 Introduction

- 1.1 The proposed Zoonoses and Animal By-Products (Fees) (England) Regulations 2008, which replace legislation introduced in August 2007, impose new costs on operators of laying flocks for the collection and examination of official controls under the national control programme (NCP) for *Salmonella* in laying flocks which started on 1 February 2008.
- 1.2 In order to reflect changes in the costs faced by delivery agents, Animal Health and VLA, in providing services the regulations also amend the level of charging for official sampling of breeding flocks and charges to laboratories under the approved laboratory scheme (as required under the Animal By-Products Regulations 2005 [or/and] Regulation (EC) No 2160/2003).
- 1.3 The Control of *Salmonella* in Poultry Order 2008 enforces National Control Programmes (NCP) for breeding and laying flocks of domestic fowl. The Poultry Order also requires operators of breeding and laying flocks to provide the Secretary of State with certain information relating to those flocks, and imposes record-keeping requirements. This legislation was the subject of a full public consultation in 2007. An Impact Assessment was prepared and is available at [http://www.opsi.gov.uk/si/si2007/em/uksem\\_20073574\\_en.pdf](http://www.opsi.gov.uk/si/si2007/em/uksem_20073574_en.pdf)
- 1.4 This IA does not seek to re-consider the costs and benefits of the NCPs which are the subject of separate legislation. This IA looks at the distributional impacts of the fees regulations, in effect the transfer of costs from Government to industry.

### 2 Basis for charging

- 2.1 Charging for these services identified in the proposed legislation is in accordance with Defra's **overall rationale** for charging. If an industry or group, or individual undertakes an activity that causes an adverse effect on others (such as pollution or risk of disease), and which requires regulation or which receives benefits from the regulation or service, it should face the cost of enforcing and implementing the regulation. Furthermore where charges are applied for services they should aim for full cost recovery.
- 2.2 HM Treasury guidance<sup>5</sup> indicates that charges should be set with the aim of recovering the full cost of the service provided but that Ministers may decide on a financial target short of full cost recovery and, in such cases, there should be a plan to achieve full cost recovery within a reasonable period.
- 2.3 A table summarising the proposed charges under Zoonoses and Animal By-Products (Fees) (England) Regulations 2008 is set out under paragraph 4 of this section of the Impact Assessment. The table has been included after the next section, on options, as the charges listed in the table represent the costs identified under one of these options - Option 2, the preferred option.

### 3 Options

---

<sup>5</sup> HM Treasury: Managing Public Money (October 2007) – Chapter 6, Fees, Charges and Levies

Two options have been identified with regards to the fee applicable for Animal Health officers taking or supervising the taking of official control samples under the national control programmes (NCP) for Salmonella.

### *Option 1*

The first option would be to set charging at full cost recovery such that charges would reflect the full cost to Animal Health in providing the service to the operator. For each visit arranged to collect a sample, full cost recovery would result in a Base fee of £56 plus investigation fee of £25 per ½ hour (or part thereof).

### *Option 2*

The second option recognises that the full costs to Animal Health in providing this service have risen sharply in the last year and were not anticipated by industry when Defra consulted on the implementation of the NCP for laying flocks in 2007. In the most part these increases have been due to changes in the mechanism for government accounting between Defra and Animal Health. The new accounting procedures provide a more accurate reflection of the costs to Animal Health in providing these services as costs are no longer subsumed/subsidised by core Defra.

The overall Defra charge to Animal Health for Shared Services has increased to £2.9m this year from £900k in 2007 (322% increase). These shared services provide many of Animal Health's back office finance functions. The increases of costs also affect the charges for the collection of samples from breeding flocks.

Defra recognises pressures facing the poultry industry including rising fuel and feed costs, increases in investment needed to ensure regulatory compliance and increased competition from imports Option 2 proposes phasing in the increased cost of the shared service component of this administration charge over the next 2 years: 50% of the increase in this component this year; 75% next year; and 100% in year three. **For each visit arranged to collect a sample in the first year of the proposed Fees Regulations this would result in a Base fee of £45 plus investigation fee of £25 per ½ hour (or part thereof). In the second year the base fee would be £50 and in the third year it would be £56 (as in option 1) reflecting the full economic cost of the testing activity.**

## 3.1 *Option 1 – Full cost recovery*

### 3.1.1 Costs to operators of laying flocks

As noted above the full cost to Animal Health of visiting a holding to collect/supervise the collection of an official control sample has risen and charges at Full economic cost (FEC) would result in a Base fee of £56 plus investigation fee of £25 per ½ hour (or part thereof)

The charge for VLA to examine each official control sample is set at £15. All official samples to be examined by VLA

In order to estimate costs it is assumed that each eligible laying holding would require a visit by Animal Health once in each production cycle for the purpose of collecting or supervising the collection of one official sample from one flock on that holding and that one production cycle lasts roughly one year. Animal Health charges are based on the cost of visits rather than the total number of samples taken and it is anticipated that Animal Health would collect or supervise the collection of official samples from one flock on a holding at a single visit, which would last between 1 and 2 hours. It is estimated

that 1500 holdings in UK are eligible for official control sampling under the Salmonella National Control Programme in Laying holdings

Defra are considering proposals to approve industry control programmes within the scope of the National Control Programme. If approved an independent body would be authorised to act on behalf of the competent authority to collect official samples and submit them to VLA for examination. For these holdings the only fee payable to Government will be for the examination of samples (£15).

The table below shows average costs of charging for each holding which receives a visit from Animal Health. It also shows total costs to industry assuming all eligible holdings are sampled by Animal Health **(A)** (1500 holdings) and if half of all holdings are sampled under approved industry control programmes **(B)**.

	<b>High estimate (£)</b>	<b>Low estimate (£)</b>
Average cost of AH visit	156	106
Examination of sample (by VLA)	15	15
<b>Average cost per holding</b>	<b>171</b>	<b>121</b>
total sampling revenue (A)	234,000	159,000
total testing revenue (A)	22,500	22,500
Total costs to industry (A)	256,500	181,500
<b>NPV over 3 years</b>	<b>743,772</b>	<b>526,295</b>
total sampling revenue (B)	117,000	79,500
total testing revenue (B)	22,500	22,500
total costs to industry (B)	139,500	102,000
<b>NPV over 3 years</b>	<b>404,507</b>	<b>295,769</b>

**Note**

**For high estimates sampling time is 2 hours**

**For low estimates sampling time is 1 hour**

Examples:

Costs for small and large producers are unlikely to be significantly different. For holdings with more than 1000 birds an official control sample will be taken from one flock once a year. It may take slightly longer to collect the sample on a large holding (100,000+ birds) than a small holding (e.g. 5000 birds) but as noted above the difference in costs are may not be large.

Many egg producers would be classified as a small business as they employ fewer than 250 full time equivalent employees.

### 3.1.2 Costs to operators of breeding flocks

As noted above the full cost to Animal Health of visiting a holding to collect/supervise the collection of an official control sample has risen and charges at Full economic cost (FEC) would result in a base fee of £56 plus investigation fee of £25 per ½ hour (or part thereof). Breeding flocks were subject to official control sampling in 2007/8. At FEC the charges for 2008/9 would result in a £22 increase in the base fee for each visit and £2 increase per ½ hour (or part thereof)

The charge for VLA to examine each official control sample is set at £15. This represents a £3.50 decrease for each sample compared to 2007/8 prices.

In order to estimate costs it is assumed that each breeding flock would require a visit by Animal Health once in each production cycle for the purpose of collecting or supervising the collection of the official samples and that one production cycle last roughly one year. It is anticipated that Animal Health would collect or supervise the collection of official samples from all the flocks on a holding at a single visit.

It is estimated that visits to breeder holdings by Animal Health staff would take between three and six hours. The time taken depends on the size and complexity of each holding Therefore a range of costs for Animal Health component of the charge for official testing has been produced below. The higher cost assumes that a visit lasts six hours. The lower cost assumes that a visit takes three hours. It is estimated that 500 holdings in UK are eligible for official control sampling under the Salmonella National Control Programme in breeding flocks.

The table below includes costs of examining the official samples at the Veterinary Laboratories Agency. The estimates also include the costs of examining at the VLA the two other official samples which are taken by the operator under direction of Animal Health. It is assumed that an average holding contains 4 flocks, on which basis each holding will supply 4 official samples on three occasions (total 12) each year for examination by VLA.

	High estimate (£)	Low estimate (£)
Average cost of AH visit	356	206
Examination of samples (by VLA)	180	180
<b>Average cost per holding (change since 07/08)</b>	<b>536 (+6)</b>	<b>386 (-6)</b>
total sampling revenue	178,000	103,000
total testing revenue	90,000	90,000
total costs to industry 08/09	268,000	193,000
total estimated costs to industry 07/08	265,000	196,000
Change in total costs (%)	3,000 (1.1%)	- 3,000 (-1.5%)
<b>NPV Over 3 Years</b>	<b>8,669</b>	<b>-8,669</b>

#### **Note**

For high estimates sampling time is 6 hours  
For low estimates sampling time is 3 hour

Examples:

Small breeding flock holding with 2 flocks of 400 birds

Collection of samples (1 per year per flock): £206 (£36 increase)

Examination of samples (all samples from all flocks 3 times per year): £90 (£21 reduction)

Total: £296 (£15 increase)

Large breeding holding with 6 flocks of 1000 birds

Collection of samples (1 per year per flock): £356 (£48 increase)

Examination of samples (all samples from all flocks 3 times per year): £270 (£63 decrease)

Total: £626 (£15 decrease)

### 3.1.3 Costs to laboratories

#### **The two options present the same costs to laboratories**

Individual charges applicable to laboratories under the scheme have risen in 2008/9 compared with charges for 2007/8. Key changes include

- A charge for postage and packaging of samples has been incorporated into the unit cost for each quality control test this year and this charge accounts for most of the increases compared with 2007/8 costs. In previous years an annual charge for postage and packaging was charged by VLA to Defra separately for each organism tested but was not included in the Fees Regulations. This charge was estimated in 2002 at £17 per organism. This charge has been recalculated on the basis of current costs. As a result unit costs of quality control tests have risen by £5 for Salmonella and by £10 for Enterobacteriaceae and Clostridium Perfringens.
- Costs of laboratory inspections have risen by an average of around 2.8%

It should be noted that from the start of 2010 any laboratory wishing to remain approved for testing samples as required under the Animal By-Products Regulations 2005 or/and Regulation (EC) No 2160/2003 will need to be accredited to the ISO 17025 standard. As a result of this change VLA will be carrying out progressively fewer inspections in 2008/9 and 2009/10.

<b>Service</b>	<b>2007/8</b>	<b>2008/9</b>	<b>Change</b>
Number of annual registrations (cost to industry)	46 (£1357)	46 (£1426)	£69 (5%)
Number of new applications (cost to industry)	1 (£12.5)	1 (£13)	£0.5 (4%)
number of Quality control samples (cost to industry)			
- Salmonella	184 (£5888)	184 (£6808)	£920 (15.6%)
- Clostridium Perfringens	60 (£3420)	60 (£4020)	£600 (17.5%)
- Enterobacteriaceae	44	44	£440 (17.5%)

	(£2508)	(£2948)	
number of inspections (cost to industry)	6 (£3909)	6 (£4020)	£111 (2.8%)
Totals	£17094.5	£19235	£2140.5 (12.5%)
Average cost per laboratory	£372	£418	£46 (12.4%)
<b>NPV Cost Over 3 Years</b>			<b>£6207</b>

#### Assumptions

- Each inspection was for 2 tests
- Number of lab inspections for 2008/9 same as for 2007/8

#### Examples:

##### Laboratory with existing approval to test Salmonella and existing ISO17025 accreditation

Annual registration:	£31 (£1.50 increase)
Quality control samples:	£148 (£20 increase)
Total:	£179 (£21.50 increase)

##### Laboratory with existing approval to test Salmonella, Clostridium Perfringens and Enterobacteriaceae. No ISO17025 accreditation and due an inspection.

Annual registration:	£31 (£1.50 increase)
Quality control samples:	£684 (£100 increase)
Inspection	£670 (£18.50 increase)
Total:	£1385 (£120.0 increase)

#### 3.1.4 Benefits of option 1

Under this option Government, including VLA and Animal Health, would recover all costs in relation to the collection and testing of official control samples under the National Control Programmes for breeding and laying flocks. Costs in relation to the Defra Approved laboratory scheme would also be recovered in full.

#### 3.2 Option 2- Phase-in of increased collection costs

##### 3.2.1 Costs to operators of laying flocks

As noted above the cost to Animal Health of visiting a holding to collect/supervise the collection of an official control sample has risen. Under Option 2 the charge would be derived from a base fee of £45 plus investigation fee of £25 per ½ hour (or part thereof).

The charge for VLA to examine each official control sample is set at £15. All official samples to be examined by VLA

In order to estimate costs it is assumed that each eligible laying holding would require a visit by Animal Health once in each production cycle for the purpose of collecting or supervising the collection of one official sample from one flock on that holding and that one production cycle lasts roughly one year. Animal Health charges are based on the cost of visits rather than the total number of samples taken and it is anticipated that Animal Health would collect or supervise the collection of official samples from one flock on a holding at a single visit, which would last between 1 and 2 hours. It is estimated

that 1500 holdings in UK are eligible for official control sampling under the Salmonella National Control Programme in Laying holdings.

Defra are considering proposals to approve industry control programmes within the scope of the National Control Programme. If approved an independent body would be authorised to act on behalf of the competent authority to collect official samples and submit them to VLA for examination. For these holdings the only fee payable to Government will be for the examination of samples (£15).

The table below shows average costs of charging for each holding which receives a visit from animal health. It also shows total costs to industry assuming all eligible holdings are sampled by Animal Health (A) (1500 holdings) and if half of all holdings are sampled under approved industry control programmes (B).

	1st Year		2 <sup>nd</sup> Year		3 <sup>rd</sup> Year	
	High estimate (£)	Low estimate (£)	High estimate (£)	Low estimate (£)	High estimate (£)	Low estimate (£)
Average cost of AH visit	145	95	150	100	156	106
Examination of sample (by VLA)	15	15	15	15	15	15
<b>Average cost per holding</b>	<b>160</b>	<b>110</b>	<b>165</b>	<b>115</b>	<b>171</b>	<b>121</b>
total sampling revenue (A)	217,500	142,500	225,000	150,000	234,000	159,000
total testing revenue (A)	22,500	22,500	22,500	22,500	22,500	22,500
total costs to industry (A)	240,000	165,000	247,500	172,500	256,500	181,500
<b>NPV over 3 years</b>	<b>High Estimate</b>			<b>Low Estimate</b>		
	<b>718,576</b>			<b>501,099</b>		
total sampling revenue (B)	108,750	71,250	112,500	75,000	117,000	79,500
total testing revenue (B)	22,500	22,500	22,500	22,500	22,500	22,500
total costs to industry (B)	131,250	93,750	135,000	97,500	139,500	102,000
<b>NPV Over 3 Years</b>	<b>High Estimate</b>			<b>Low Estimate</b>		
	<b>391,910</b>			<b>283,171</b>		

**Note**

**For high estimates sampling time is 2 hours**  
**For low estimates sampling time is 1 hour**

Examples:

As with option 1 costs for small and large producers are unlikely to be significantly different. For holdings with more than 1000 birds an official control sample will be taken



from one flock once a year. It may take slightly longer to collect the sample on a large holding (100,000+ birds) than a small holding (e.g. 5000 birds) but as noted above the difference in costs are may not be large.

Many egg producers would be classified as a small business as they employ fewer than 250 full time equivalent employees.

### 3.2.2 Costs to operators of breeding flocks

Under Option 2 the charge would be derived from a base fee of £45 plus investigation fee of £25 per ½ hour (or part thereof). Breeding flocks were subject to official control sampling in 2007/8. Under option 2 the charges for 2008/9 would result in a £11 increase in the base fee for each visit and £2 increase per ½ hour (or part thereof)

The charge for VLA to examine each official control sample is set at £15. This represents a £3.50 decrease for each sample compared to 2007/8 prices.

In order to estimate costs it is assumed that each breeding flock would require a visit by Animal Health once in each production cycle for the purpose of collecting or supervising the collection of the official samples and that one production cycle last roughly one year. It is anticipated that Animal Health would collect or supervise the collection of official samples from all the flocks on a holding at a single visit.

It is estimated that visits to breeder holdings by Animal Health staff would take between three and six hours. The time taken depends on the size and complexity of each holding Therefore a range of costs for Animal Health component of the charge for official testing has been produced below. The higher cost assumes that a visit lasts six hours. The lower cost assumes that a visit takes three hours. It is estimated that 500 holdings in UK are eligible for official control sampling under the Salmonella National Control Programme in breeding flocks.

The table below includes costs of examining the official samples at the Veterinary Laboratories Agency. The estimates also include the costs of examining at the VLA the two other official samples which are taken by the operator under direction of Animal Health. It is assumed that an average holding contains 4 flocks, on which basis each holding will supply 4 official samples on three occasions (total 12) each year for examination by VLA.

	Year 1		Year 2		Year 3	
	High estimate (£)	Low estimate (£)	High estimate (£)	Low estimate (£)	High estimate (£)	Low estimate (£)
Average cost of AH visit	345	195	350	200	356	206
Examination of samples (by VLA)	180	180	180	180	180	180
<b>Average cost per holding (change since 07/08)</b>	<b>525 (- 5)</b>	<b>375 (- 17)</b>	<b>530 (0)</b>	<b>380 (-12)</b>	<b>536 (+6)</b>	<b>386 (-6)</b>
total sampling revenue	172,500	97,500	175,000	100,000	178,000	103,000
total testing revenue	90,000	90,000	90,000	90,000	90,000	90,000
total costs to industry 08/09	262,500	187,500	265,000	190,000	268,000	193,000

total estimated costs to industry 07/08	265,000	196,000	265,000	196,000	265,000	196,000
Change in total costs (%)	-2,500 (- 0.9%)	- 8,500 (- 4.3%)	0 (0%)	-6,000 (-3.15%)	3,000 (1.1%)	- 3,000 (-1.5%)
<b>NPV Over 3 Years</b>	<b>High Estimate</b>			<b>Low Estimate</b>		
	<b>300</b>			<b>- 17,098</b>		

### **Note**

For high estimates sampling time is 6 hours  
For low estimates sampling time is 3 hour

### *Examples*

#### Small breeding flock holding with 2 flocks of 400 birds

Collection of samples (1 per year per flock): £195 (£25 increase)  
Examination of samples (all samples from all flocks 3 times per year: £90 (£21 decrease))

Total: £285 (£4 increase)

#### Large breeding holding with 6 flocks of 1000 birds

Collection of samples (1 per year per flock): £345 (£37 increase)  
Examination of samples (all samples from all flocks 3 times per year): £270 (£63 decrease)

Total: £615 (£26 decrease)

### 3.2.3 Costs to laboratories

The two options present the same costs to laboratories

### 3.2.4 Benefits of option 2

Under this option Government, including VLA and Animal Health, would recover the majority of costs in relation to the collection and testing of official control samples under the National Control Programmes for breeding and laying flocks. Costs in relation to the Defra Approved laboratory scheme would also be recovered in full.

Operators of laying and breeding holdings would be given additional time to prepare for increases in costs of collecting official control samples.

### 3.2.5 Financial implications to Defra of phased approach to increased Animal Health Administration costs

By passing on 50% of the full increase in the shared service component of the AH administration cost industry will be charged £11 less than full economic cost for each visit to a holding by Animal Health officers.

It is estimated that Animal Health will visit 750 layer holdings each year and 500 breeding holdings. The number of layer holdings visited by Animal Health is reduced from the total number of 1500 layer holdings subject to official controls as around 50% of these holdings will be independently audited as part of an approved industry control programme. Accordingly the cost to government by not passing on the full increase in the administration costs in the first year is estimated to be about £13,750 (i.e. £11 times 1,250)

#### 4 Summary of proposed charges

Proposed charges are set out below. Activities are set out as they would appear in the schedule to the Zoonoses and Animal By-products (Fees) (England) Regulations 2008

In this table, as in the proposed fees regulation, “the European Regulation” means Regulation (EC) No 2160/2003 and “the Regulations” means the Animal By-Products Regulations 2005.

Activities	2007/8 charge (£)	2008/9 charge (£)
Taking or supervising the taking of official control samples	Base fee £32 plus investigation fee of £23 per ½ hour (or part thereof).	Base fee £45 plus investigation fee of £25 per ½ hour (or part thereof).
Examining official control samples	18.50	15.00
Processing of an application for approval of a laboratory under Regulation 21 of the Regulations or Article 12 of the European Regulation	12.50	13.00
Processing of annual registration documentation in respect of a laboratory approved under Regulation 21 of the 2005 Regulations or Article 12 of the European Regulation	29.50	31.00
Inspecting a laboratory, for the purpose of Regulation 21 of the Regulations or Article 12 of the European Regulation, for		
a) one test	613.50	631.00
b) two tests	632.50	650.50
c) three tests	651.50	670.00
d) four tests	670.50	689.50
Administering a quality control test, under Regulation 21 of the Regulations or Article 12 of the European Regulation, for		
a) Salmonella	32.00	37.00
b) Enterobacteriaceae	57.00	67.00
c) Clostridium Perfringens	57.00	67.00

Note - this fees Regulation covers activities required under the Control of Salmonella in Poultry Order 2007 (CSPO) and the Animal By-products Regulations 2005 (ABPR).

**Full details of individual charges are set out in the annex to this IA.**

## Specific Impact Tests: Checklist

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	Yes/No
Small Firms Impact Test	Yes/No	Yes/No
Legal Aid	Yes/No	Yes/No
Sustainable Development	Yes/No	Yes/No
Carbon Assessment	Yes/No	Yes/No
Other Environment	Yes/No	Yes/No
Health Impact Assessment	Yes/No	Yes/No
Race Equality	Yes/No	Yes/No
Disability Equality	Yes/No	Yes/No
Gender Equality	Yes/No	Yes/No
Human Rights	Yes/No	Yes/No
Rural Proofing	Yes/No	Yes/No

### 1. Small Firms Impact Test.

- 1.1 Almost all egg producers (laying flock holdings) would be classified as small businesses, as they employ fewer than 250 full time equivalent employees at the site level. For both options considered in the Impact Assessment, costs for small and large producers are unlikely to be significantly different. It may take slightly longer to collect the sample on a large holding (100,000+ birds) than a small holding (e.g. 5000 birds). However, using figures from option 2 (preferred) the upper range of costs per year are estimated to be around £160 and lower range of costs estimated at £110.
- 1.2. Using the criteria for small businesses employing fewer than 250 full time equivalent employees it is assumed that all operators of breeding flocks would be classed as small businesses. Accordingly it should be noted that the examples given in sections 3.1.2 and 3.2.2 are likely to apply small business such that the very smallest businesses may see a small increase in costs - £4 increase in the example given for option 2- and slightly larger businesses may see a small decrease in costs - £26 in the example.
- 1.3. Again approved laboratories under the scheme are likely to fall under the small business category. Depending on the services provided costs for these business may have risen around £20 to £120.
- 1.4. In summary the majority of the operators affected by the proposed Fees Regulations would be classified as small businesses. It is not considered that these businesses would be disproportionately affected by the proposed charges as the charges themselves are relatively small and fall equally across all parts of the industry.

### 2. Carbon Impact

- 2.1. The legislation is not believed to result in any significant change in carbon emissions.

#### **Annex II: Outcome of Specific Impact Tests**

##### Legal Aid

The Proposal does not create new criminal sanctions or civil penalties.

##### Carbon Impact Assessment

The Proposal will have no significant effect on carbon emissions..

##### Other Environmental Issues

The Proposal has no implications in relation to climate change, waste management, landscapes, water and floods, habitat and wildlife or noise pollution.

##### Health Impact Assessment

No impacts

Race /Disability/Gender

The legislation does not impose any restriction or involve any requirement which a person of a particular racial background, disability or gender would find difficult to comply with. Conditions apply equally to all individuals and businesses involved in the activities covered by the legislation.

Human Rights

No impacts noted

Rural Proofing

The majority of producers affected by the charging legislation are based in rural areas.

**Annex - Summary of charges (for 2008/9) relating to official control samples under the Salmonella National Control Programmes for breeding flocks and laying flocks**

Charges are set out as they will appear in the schedule to the Zoonoses and Animal By-products (Fees) (England) Regulations 2008

In this table, as in the proposed fees regulation, “the European Regulation” means Regulation (EC) No 2160/2003 and “the Regulations” means the Animal By-Products Regulations 2005.

<b>Activities</b>	<b>2007/8 charge (£)</b>	<b>2008/9 charge (£)</b>
Taking or supervising the taking of official control samples	Base fee £32 plus investigation fee of £23 per ½ hour (or part thereof).	Base fee £45 plus investigation fee of £25 per ½ hour (or part thereof).
Examining official control samples	18.50	15.00
Processing of an application for approval of a laboratory under Regulation 21 of the Regulations or Article 12 of the European Regulation	12.50	13.00
Processing of annual registration documentation in respect of a laboratory approved under Regulation 21 of the 2005 Regulations or Article 12 of the European Regulation	29.50	31.00
Inspecting a laboratory, for the purpose of Regulation 21 of the Regulations or Article 12 of the European Regulation, for		
a) one test	613.50	631.00
b) two tests	632.50	650.50
c) three tests	651.50	670.00
d) four tests	670.50	689.50
Administering a quality control test, under Regulation 21 of the Regulations or Article 12 of the European Regulation, for		
a) Salmonella	32.00	37.00
b) Enterobacteriaceae	57.00	67.00
c) Clostridium Perfringens	57.00	67.00

Note - this fees Regulation covers activities required under the Control of Salmonella in Poultry Order 2007 (CSPO) and the Animal By-products Regulations 2005 (ABPR). The CSPO and ABPR annotations are used in this section of the RIA to identify whether the charges proposed relate to either CSPO or ABPR requirements.



## **Basis for published charges**

The proposed fees regulations provide the Secretary of State with powers to recover costs for the activities undertaken on his behalf with regard to:

- sampling and testing official control samples required under point 2.1.2.2 of the Annex to Commission Regulation (EC) No 1003/2005 implementing Regulation (EC) No 2160/2003 as regards a Community target for the reduction of the prevalence of certain salmonella serotypes in breeding flocks of Gallus gallus and amending Regulation (EC) No 2160/2003
- sampling and testing official control samples required under point 2.1 of the Annex to Commission Regulation (EC) No 1168/2006 implementing Regulation (EC) No 2160/2003 as regards a Community target for the reduction of the prevalence of certain salmonella serotypes in laying flocks of Gallus gallus and amending Regulation (EC) No 1003/2005.
- the authorisation of approved laboratories under the Animal By-Products Regulations 2005 [or/and] Regulation (EC) No 2160/2003.

The applicable fees for each service are published in the schedule to these fees regulations. The charges are derived on the basis of the following principles of the HM Treasury Fees and Charges Guide (2004)

- The financial objective should be full cost recovery for the services provided. In principle the full cost should be recovered each year.
- The full cost should be calculated on an accruals basis. It is the total cost of all the resources used in providing the service (direct and indirect costs, including a full proportional share of overhead costs and any selling and distribution expenses, insurance, depreciation and cost of capital, etc, both cash and “non-cash” costs).
- The costs should be actual whenever possible, with estimates (e.g. based on periodic surveys) used only when the actual information is not available (or only available at disproportionate cost). Whenever possible, the method of assessing costs should be that used for the operating cost statement of departments’ resource accounts (or other public bodies’ annual accounts). Where necessary, a method of apportioning overhead costs should be determined and applied consistently

The items which make up the costs of the services which are intended to be recovered by the charges specified in the proposed fees legislation cover:

- (a) travel costs in relation to sampling, supervision, inspection and testing.
- (b) personnel costs in relation to sampling, supervision, inspection, testing and any application.
- (c) accommodation costs in relation to sampling, supervision, inspection, testing and any application.
- (d) equipment costs in relation to sampling, supervision, inspection, testing and any application.

The details of the proposed charges are set out in the following pages including information about the purpose of each charge and how each charge is derived. Some rounding (to the nearest 50 pence) has been applied to the proposed charges to simplify invoicing and collection.

## Details of each charge proposed

### (a) Taking or supervising the taking of official control samples

#### *Purpose of charge*

This charge covers duties carried out by Animal Health, on behalf of the Secretary of State, in visiting and collecting or supervising the collection of official control samples from breeding flock holdings or laying flock holdings for the purpose of verifying progress towards Salmonella reduction targets specified in Regulation (EC) 2160/2003, Regulation (EC) 1003/2005 (breeding flocks) and Commission Regulation (EC) No 1168/2006 (laying flocks).

#### *Option 1*

<b>2007/8 Charge:</b>	<b>Proposed 2008/9 Charge:</b>
Base fee £32 plus investigation fee of £23 per ½ hour (or part thereof).	Base fee £56 plus investigation fee of £25 per ½ hour (or part thereof).

Or

#### *Option 2*

<b>2007/8 Charge:</b>	<b>Proposed 2008/9 Charge:</b>
Base fee £32 plus investigation fee of £23 per ½ hour (or part thereof).	Base fee £45 plus investigation fee of £25 per ½ hour (or part thereof).

#### *How the charge is derived:*

The charge is based on two components

a) The base charge is a fixed fee that covers costs that are associated with the supervision of or the taking of official control samples on all holdings. Costs are derived on estimates of the time taken to process an application (e.g. organising visits, systems inputs, checking test results etc.) by the various grades of staff involved. These estimates of time have been multiplied by the Animal Health charge out rate. The Animal Health charge out rates are based upon the average employment costs for each grade of Animal Health staff (includes salary, employer's NIC and employer's pension contributions) plus overheads and notional costs (taken from the Animal Health budgets for 2007/08). These rates are then adjusted for productivity. An hourly rate is then calculated by dividing the annual rate by 215 working days and 7.4 hours per day. The 215 working days are arrived at by taking 260 weekdays and adjusting for holiday and estimated other non delivery time (e.g. training and sick).

The other costs relating to the 'Basic Application Fee' are based upon estimates from Defra Shared Service Division (SSD) which provides most of Animal Health's back

office functions including: accounts receivable, accounts payable, human resources costs, etc. Due to changes in the mechanism for government accounting between Defra and Animal Health, the overall SSD charge to Animal Health has increased to £2.9m from £900k in 2007 (322% increase). This change provides a more accurate reflection of the costs to Animal Health in providing these services as costs are no longer subsumed/subsidised by core Defra.

An estimate of the total annual cost of these services in relation to official control sampling has been calculated and spread over the estimated number of tests required per annum to produce a fixed charge. In the previous fees regulations the costs of these services was only partially reflected in the charge to operators. We have recognised that passing on this increased charge to operators in full in a single year would represent a significant and unexpected increase and so we would consider whether it was possible to phase these increases.

The full cost for shared services for 2008/09 has been calculated at £35. Including this cost in full would have led to a base fee of £56 for 2008/09.

As noted in the table below, the component of the charge for Shared service costs for 2007/8 (item 8) was £13. The full cost for shared services for 2008/09 has been calculated at £35. Including this cost in full would have led to a base fee of £56 for 2008/09. This would have represented a 75% increase on the £32 charge for 2007/8. By passing on 50% of the estimated shared service costs this year the 2008/9 base fee would be £45 compared to £32 for 2007/8. This represents option 2 in the Impact Assessment.

<b>Analysis of basic application fee by cost factors -</b>	<b>2007/8</b> £	<b>2008/9</b> £
1. Salaries, overtime, national insurance and superannuation costs	15	16
2. Recruitment and training costs	1	1
3. Travel and incidental expenses	1	1
4. Office accommodation, equipment and services	2	3
5 & 6. Protective clothing and equipment	-	-
7. Sampling and analysis costs	-	-
8. Shared service costs	13	35
<b>Total</b>	<b>32</b>	<b>56</b>

b) The additional investigation fee is a time based charge calculated on a per test basis. The rate for this part of the charge is based on the hourly rate of an Animal Health Officer (AHO) who would be conducting the official visit for the purpose of supervising the collection of official samples. This charge has risen to £25 per half hour from £23 per half hour in 2007/8.

This is based on the different elements of salary, overhead and other charges as follows:

<b>Component</b>	<b>2007/8</b>	<b>2008/9</b>
Salary (£)	15	15

Overheads (£)	4	4.50
Other charges including accommodation and shared services (£)	4	5.50
<b>Total</b>	<b>23</b>	<b>25</b>

Note that costs are rounded to nearest 50p

(b) Examining official control samples

*Purpose of charge*

This charge covers duties performed by the VLA, on behalf of the Secretary of State, in examining the official control samples collected by Animal Health under (a). This examination will determine the presence or absence of Salmonella in the sample.

<b>2007/8 Charge (£)</b>	<b>Proposed 2008/9 Charge (£)</b>
18.50	15.00

*How the charge is derived:*

A single charge is applicable for the examination by the VLA of all official samples supplied to them. The cost derives from an average time to perform the test plus necessary test consumables and reagents. The cost of staff time is based mainly on the approved rate for a VLA grade F in the Laboratory Testing Department.

Pay costs per chargeable hour	£24.70
Non pay	£6.92
Overhead	£13.18
<b>Total cost per chargeable hour</b>	<b>£44.80</b>

A small proportion of the £15 charge takes account of weekend work that may be needed to process a proportion of all samples received. Weekend work is charged at an increased rate. This increase will be spread across all samples and so samples received at VLA over a weekend will not be subject to a surcharge.

(c) Processing of an application for approval of a laboratory under Regulation 21 of the Regulations or Article 12 of the European Regulation

*Purpose of charge*

This charge covers duties performed by Defra in administering an application for a private laboratory to be authorised under the approved laboratory scheme. This charge only applies where the laboratory is not included in the scheme at the time of the application (i.e. this charge is additional to the annual registration charge under the scheme)

<b>2007/8 Charge (£)</b>	<b>Proposed 2008/9 Charge (£)</b>
12.50	13.00

*How the charge is derived:*

This charge is based on a Defra official at the AO grade spending 0.5 hours to complete this initial administration of an application. The AO hourly rate is £26.40 which includes salary costs (pay, pension and national insurance contribution), accommodation and general overheads.

The charge has been rounded down to the nearest 50 pence

(d) Processing of annual registration documentation for laboratory approval

*Purpose of charge*

This charge covers duties performed by Defra in processing an application from a private laboratory for annual registration to the approved laboratory scheme and for administration of that registration during the year. This charge would be levied for each year that the laboratory would wish to remain part of the approved laboratory scheme.

<b>2007/8 Charge (£)</b>	<b>Proposed 2008/9 Charge (£)</b>
29.50	31.00

*How the charge is derived:*

This charge is based on a Defra official at the AO grade spending 1 hour 10 minutes to complete the administration of a successful application. The AO hourly rate is £26.40 which includes salary costs (pay, pension and national insurance contribution), accommodation and general overheads.

The charge is levied at the same rate as for charge (d) as many of the functions of this service are the same.

The charge has been rounded up to the nearest 50 pence



(e) Inspecting a laboratory for the purpose of Regulation 21 of the Regulations or Article 12 of the European Regulation

*Purpose of charges*

This charge covers duties performed by the VLA, on behalf of the Secretary of State, and Defra in arranging and carrying out inspections of approved laboratories. Inspections will be scheduled on a regular basis (every two to three years) or in response to a laboratory's failure to correctly identify a succession of quality assurance samples. The VLA carries out the inspection and Defra provides administrative support to this function.

**2007/8 Charge (£)**

<b>Number approved tests carried out by lab inspected</b>	<b>VLA component</b>	<b>Defra administration charge</b>	<b>Total</b>
1 test	588.50	25.00	613.50
2 tests	607.5	25.00	632.50
3 tests	626.50	25.00	651.50
4 tests	645.50	25.00	670.50

**Proposed 2008/9 Charge (£)**

<b>Number approved tests carried out by lab inspected</b>	<b>VLA component</b>	<b>Defra administration charge</b>	<b>Total</b>
1 test	604.50	26.50	631.00
2 tests	624.00	26.50	650.50
3 tests	643.50	26.50	670.00
4 tests	663.00	26.50	689.50

1 test e.g. Salmonella testing for CSPO or Salmonella testing for ABPR  
3 tests e.g. 2 of ABPR tests with Salmonella test for CSPO

*How the charge is derived*

The charge is made up of two parts. Most of the cost covers VLA activities but a smaller amount covers Defra administrative costs. Costs have been rounded to the nearest 50 pence.

a) The VLA part of the charge is derived to take account of the time taken by VLA Band C staff to prepare for, attend and carry out the inspection and produce a report following the inspection. The charge includes travelling time to the customer and return, inspection time, consideration time, writing the report and answering customer queries.

The proposed 2008/9 prices have increased by around 2.8% compared with 2007/8 costs (with 50p rounding as usual). This is an estimated figure based on expected

VLA staff rates for 2008/09. The time allocated for a laboratory inspection is 8.5 hours.

b) The Defra part of the charge is based on a Defra official at the AO grade spending one hour to liaise with VLA inspectors to arrange the laboratory visit, issue paperwork regarding the visit and keep a record of the outcome of the visit. This results in a Defra administration charge of £26.40 per visit, which is rounded up to £26.50. The AO hourly rate is £26.40 which includes salary costs (pay, pension and national insurance contribution), accommodation and general overheads.

(f) Administering a quality control test under Regulation 21 of the Regulations or Article 12 of the European Regulation

*Purpose of charges*

This charge covers duties performed by the VLA, on behalf of the Secretary of State, and Defra in managing a quality assurance scheme for approved laboratories. VLA issue samples to laboratories that are required to examine the sample to determine the presence or absence of specific organisms and then return results to VLA. Defra provides administrative support to this function.

The charges below relate to a single distribution of a QA sample for each organism listed. As noted in the main section of the RIA one QA sample per organism will be distributed when a laboratory first applies to join the scheme. Thereafter 4 QA samples will be distributed to approved laboratories each year for each organism for which they are approved.

**2007/8 Charge (£)**

<b>Organism tested</b>	<b>VLA component</b>	<b>Defra administration charge</b>	<b>Total</b>
Salmonella (CSPO)	30.00	2.00	32.00
Salmonella (ABPR)	30.00	2.00	32.00
Enterobacteriaceae (ABPR)	55.00	2.00	57.00
Clostridium Perfringens (ABPR)	55.00	2.00	57.00

**Proposed 2008/9 Charge (£)**

<b>Organism tested</b>	<b>VLA component</b>	<b>Defra administration charge</b>	<b>Total</b>
Salmonella (CSPO)	35.00	2.00	37.00
Salmonella (ABPR)	35.00	2.00	37.00
Enterobacteriaceae (ABPR)	65.00	2.00	67.00
Clostridium Perfringens (ABPR)	65.00	2.00	67.00

*How the charge is derived:*

The charge is made up of two parts. Most of the cost covers VLA activities but a small amount covers Defra administrative costs.

a) The VLA cost derives from staff time at the approved rate/hour for the appropriate grade (which includes all salary costs and overheads), test consumables and reagents, and postage and packaging.

A charge for postage and packaging of samples has been incorporated into the unit cost for each quality control test this year and this charge accounts for most of the increases compared with 2007/8 costs. In previous years an annual charge for postage and packaging was charged by VLA to Defra separately for each organism tested but was not included in the Fees Regulations. This charge was estimated in 2002 at £17 per organism. This charge has been recalculated on the basis of current costs.

The cost of staff time is based on the approved rate for a VLA grade F in the Quality Assurance Unit:

Pay costs per chargeable hour £	£24.70
Non pay	£6.92
Overhead	£13.18
<b>Total cost per chargeable hour</b>	<b>£44.80</b>

b) The Defra part of the charge is based on a Defra official at the AO grade spending five minutes per sample issued to check that each sample has been issued and to note the results of each sample completed. This results in a Defra administration charge of £2.11 per QA sample – which is rounded down to £2.00. The AO hourly rate is £26.40 which includes salary costs (pay, pension and national insurance contribution), accommodation and general overheads.