

**FOOD STANDARDS AGENCY SCOTLAND CONSULTATION –
PROPOSED CHANGES TO THE CHARGING ARRANGEMENTS AND
CHARGING LEVELS FOR OFFICIAL MEAT CONTROLS CARRIED
OUT IN SCOTLAND.**

Executive Summary

The Committee is aware that the Food Standards Agency Scotland launched a consultation exercise on the above subject on 18 December 2008 and this will run until 25 March 2009. The consultation seeks views on proposals to:

- introduce a new time based system of calculating charges for official controls carried out by the Meat Hygiene Service;
- increase charges by one of three options;
- introduce changes in the way charges are calculated where Plant Inspection Assistants are used and;
- introduce charges to recover a small proportion of the cost of Specified Risk Material Controls and additional controls that apply where cattle slaughtered for human consumption must be tested for BSE.

This paper follows the updates provided to the Committee during 2008 and provides an overview of the proposals and costs as they relate to Scotland.

The Committee is asked to:

- Consider points raised by industry representatives at the SFAC stakeholder meeting held last night.
- Indicate how it wishes to handle its response to the consultation
- Identify relevant stakeholders for further discussions on the impact of the proposals in Scotland

ANIMAL FOOD CHAIN AND NOVEL FOODS BRANCH

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Issue

1. To seek the Committee's views on how it wishes to respond to the Agency's consultation on proposed changes to the charging arrangements and charging levels for official meat controls carried out in Scotland.

Background

2. The Committee considered the issue of MHS charging twice in 2008, at its May and July meetings. Previous minutes can be found using the following link on the FSA website - http://www.food.gov.uk/scotland/aboutus_scotland/advisorycommittee/sfacmeetings/ Following discussion by the FSA Board in July, and subsequent clearance from Ministers across UK for consultation to proceed, the Agency has now issued its formal proposals for consultation across the UK.
3. The details of the proposals are revised somewhat from those that the Committee considered last year, but the key principles – moving to time based charging, increasing the level of cost recovery in parallel with MHS reducing its costs, and introducing a charge for official controls on Specified Risk Material (SRM) remain unchanged. The consultation was launched on 18 December 2008 and will close on 25 March 2009.
4. The FSA Scotland consultation can be accessed using the following web-link:

<http://www.food.gov.uk/consultations/consultscot/2008/proposedchargingscotland>

The FSA Scotland consultation is, as far as possible, specific to Scotland, and parallel consultations are taking place in the other 3 UK countries. The FSA Board will consider the issues that are raised during the consultation before formulating its advice to Ministers in all four countries, to enable Ministers to take final decisions.

5. The Committee's position on the proposals discussed in May and July 2008 was broadly supportive of moving to time based charging and increasing cost recovery from industry, but the Committee wished to see more detail and likely impacts of the proposals before they could take a more informed view.

Discussion

6. In summary, the main proposals are to:

- Introduce a new system of calculating charges for meat hygiene controls carried out in approved slaughterhouses, game handling establishments and meat cutting plants in Scotland, based on the 'time based' cost of carrying out these controls.
- Three options to increase charges for these controls by either 4% (broadly to cover inflation only), 6% (inclusive of inflation) or an increase that would recover an additional £447,000 in Scotland (£3 million across GB) over a full year, currently estimated to be just under 9%¹ (inclusive of inflation). The last of these options represents what would be required to meet the level of cost recovery agreed by the Board in July. In proposing these options the FSA has taken account of the increases to certain meat hygiene charge rates that applied automatically from 1 January 2009 to comply with EC minimum charge rates. These include an increase of 18% to the charge rate for adult cattle and 20% to turkeys, except those that are adult and weigh over 5kg.
- In relation to poultry slaughterhouses, FSA is also proposing to reduce by 5% (from 100% to 95%) the deduction made from meat hygiene charges in respect of the costs borne by some businesses in employing Plant Inspection Assistants (PIA) and to base this deduction on a standard hourly rate of £11 for PIA employment costs. The additional revenue that would be recovered from the proposed changes to the treatment of PIA costs are included within the industry-wide 9% increase to charges that is proposed.
- Introduce a new charge, again on a time-cost basis, to recover approximately 5% (£800,000) of the total cost of Specified Risk Material (SRM) official controls² (equating to just under 7% of the cost in Scotland, £140,000). This will include the cost of additional BSE controls³ that apply to cattle slaughtered for human consumption that are required to be tested for BSE. Views are sought on whether the introduction of this charge should alternatively be deferred until 2010/11.

¹ All options include the increases to certain throughput rates required to comply with EC minimum charge rates which take effect from 1 January 2009.

² Controls set out principally in the Transmissible Spongiform Encephalopathies (Scotland) Regulations 2006 (as amended), SSI 2006 No.530 Schedule 6 and Schedule 7 paras 1 and 4.

³ Controls set out in the Transmissible Spongiform Encephalopathies (Scotland) Regulations 2006 (as amended), SSI 2006 No.530, Schedule 2

7. The FSA is also proposing to:

- Enable charges to be made, again on a time cost basis, for official controls work that is done on farm or other place of origin. This is to enable the MHS to carry out this work, if they are asked to do so, such that the MHS competes fairly with local businesses.
- Require businesses to declare their intended working hours and working practices for which official controls would need to be provided and charged. This is to help ensure that official controls time and thus charges are kept as low as is practical.
- Charge a £400 fee for businesses to initiate a review of the MHS's initial assessment of the staff and time it needs to carry out chargeable official controls at the premises. This fee would contribute towards the cost of having an industry representative assisting with the review and would be repaid if the business's case was upheld.
- Following the above mentioned review, to give businesses the right of appeal against the MHS's final assessment of the staff and/or hours needed to carry out chargeable official controls at the premises.

8. In addition, the Agency seeks comments on the introduction of Business Agreements between the MHS and businesses, that seek to match the businesses' working hours and practices with the official control resource the MHS considers is needed by the business. The MHS intends to reach an agreement with every approved business to put MHS/business relations on a more collaborative and business oriented footing, aimed at ensuring that the official controls can be carried out efficiently and that their cost is kept as low as possible. The introduction of the agreements has already started using the provisional arrangements set out in the consultation document.

Effect of the proposals

9. Examples of the effect of the proposed meat hygiene charge increases are set out in both the consultation document and the Regulatory Impact Assessment. In addition, businesses may request an estimate of their charges from the MHS.

10. Overall, the proposals would increase total charges to businesses in Scotland for official meat controls by up to an estimated £587,000 (£3.8 million across the UK) over a full year and are being made against a background of the MHS making significant progress in reducing its costs. The MHS is running ahead of its plan to reduce its costs in real terms from £91 million in 2006/07 to £74 million in 2012/13. These cost reductions will reduce the burden on taxpayers and will also benefit businesses because they limit the increases to charges that would otherwise be necessary.

Stakeholder Engagement

11. Stakeholder engagement is taking place throughout the consultation. A UK-wide 'debate' will take place in Warwick on 13 February, and stakeholder meetings are planned across the UK. FSAS will hold a stakeholder meeting during February to discuss the proposals with a wide range of stakeholders in Scotland, and have offered briefings and meeting with key industry stakeholders. MHS Business Managers will also be discussing the proposals with individual FBOs.

Time scale

12. The consultation ends on 25 March, and it is intended that the FSA Board will consider the consultation outcomes at its April meeting, prior to formulating its advice to Ministers. Subject to the views of Ministers, FSA's preference is for any new charging arrangements to take effect from 29 June 2009.

The Committee is asked to:

- Consider points raised by industry representatives at the SFAC stakeholder meeting held last night.
- Indicate how it wishes to handle its response to the consultation
- Identify relevant stakeholders for further discussions on the impact of the proposals in Scotland