Title: Revision of Fees for Salmonella National Control Impact Assessment (IA) Programmes & Defra approved private laboratory network IA No: 1445 Date 13/07/2012 Lead department or agency: Stage: Consultation Defra Source of intervention: Domestic Other departments or agencies: Type of measure: Secondary legislation Animal Health and Veterinary Laboratories Agency (AHVLA) Contact for enquiries: Modupe Manuel 0207 238 4904 **RPC:** AMBER

**Summary: Intervention and Options** 

Cost of Preferred (or more likely) Option					
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as	
£0m	£1.103m	£0.12m	No	NA	

What is the problem under consideration? Why is government intervention necessary? The Zoonoses and Animal By-Products (Fees) Regulations in England, Wales and Scotland supplements the Salmonella National Control Programmes (NCPs) required by Regulation (EC) 2160/2003 and provide for full cost recovery for the collection and examination of official samples and maintenance of a Defra approved private laboratory network by Animal Health and Veterinary Laboratories Agency (AHVLA). In line with government policy, we are removing subsidised statutory services and moving to a full cost recovery regime to ease the burden on the taxpayer.

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

The Salmonella NCPs safeguard public health by reducing the incidence of Salmonella at the farm level in the relevant poultry sectors and throughout the food chain. The purpose of revising the Zoonoses and Animal By-Products (Fees) Regulations is to achieve a full cost recovery charging system for AHVLA in their role of collecting and examining official samples and for the maintenance of the Defra approved private laboratory network (where operator samples are tested according to the requirements of the EU legislation). This will relieve the burden on the general taxpayer and rectify the current cross sector subsidies that exist, whilst maintaining a competitive sustainable poultry industry.

#### What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

A public consultation during 2012 will seek views on the following options (below):

**Option 0:** Do nothing. No change to current policy of partial cost recovery.

Option 1: Introduction of fee increases to achieve full cost recovery for administration of the collection and examination of NCP official samples (on a sector specific basis) and maintenance of a Defra approved private laboratory network with no phasing in period (i.e. from October 2012). This is our preferred option as we need to address the shortfall in AHVLA funding. The fees were last increased in 2010.

Option 2: Introduction of fees over a 2 year phasing in period to achieve FCR by year 2 of implementation (2013/14) for administration of the collection and examination of NCP official samples (on a sector specific basis) and maintenance of a Defra approved private laboratory network.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 01/2017					
Does implementation go beyond minimum EU requirements?  No					
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.  Micro Yes Yes			Small Yes	Medium Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions?  (Million tonnes CO <sub>2</sub> equivalent)  Traded:  Non-traded:					traded:

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:	Date:	

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<sup>&</sup>lt;sup>1</sup> The Zoonoses and Animal By Product (Fees) (England) Amendment Regulations 2010; The Zoonoses and Animal By Product (Fees) (Wales) Amendment Regulations 2010; The Zoonoses and Animal By Product (Fees) (Scotland) Amendment Regulations

## **Summary: Analysis & Evidence**

Policy Option1

**Description:** Introduce full cost recovery from 1<sup>st</sup> October 2012 – i.e. fee increases to achieve full cost recovery for administration of the collection and examination of NCP official samples (on a sector specific basis) and maintenance of a Defra approved private laboratory network with no phasing in period (i.e. from October 2012).

#### **FULL ECONOMIC ASSESSMENT**

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)			Net Benefit (Present Valu			lue (PV)) (£m)
Year 2012	Year 2012	Years 10	Low: Optional High: Optional		High: Optional	Best Estimate: 0			
COSTS (	£m)	Total Tra (Constant Price)	<u> </u>		Total Cost (Present Value)				
Low									
High									
Best Estim	ate				0.129	1.103			

#### Description and scale of key monetised costs by 'main affected groups'

This option introduces full cost recovery for routine official sampling by 1 October 2012 on a sector specific flat rate basis (previously a flat rate average). The charge for carrying out an NCP official sample will be as follows: for laying flocks £60.65; for breeder flocks £95.81; for broiler flocks £88.86; and for turkey fattening and breeding flocks £87.44. The sector specific flat rate covers the administrative costs including completion of paperwork, organising the visit, dispatch of samples to the testing laboratory, follow-up of testing results as required and the costs of the sampling kits. Farmers will also pay a set fee of £15.30 for the sample testing at an official Government laboratory (culture only) and the average time spent by Government officials in travelling to and from the farm carrying out the official sampling at farm at a rate of £23.64 / per 30 minutes. This constitutes full cost recovery for a sector specific average visit. The average annual cost will be £0.129m and will be borne 100% by the food business operator (farmer). This option also covers charges for the maintenance of a Defra approved private laboratory network which have increased in line with inflation ranging from 1.4% to 2.7%.

#### Other key non-monetised costs by 'main affected groups'

There are no new administrative burdens on industry and existing systems for payment will continue to be used.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	<b>Total Benefit</b> (Present Value)
Low				
High				
Best Estimate			0.129	1.103

#### Description and scale of key monetised benefits by 'main affected groups'

Benefits will accrue to taxpayers. The magnitude of benefits will be the same as the costs above.

Other key non-monetised benefits by 'main affected groups'

#### Key assumptions/sensitivities/risks

Discount rate 3

3.5%

The figures are based on the assumption that the number of flocks and the number of premises within each specific poultry industry sector will remain approximately at the levels seen in 2010. If there is enlargement or contraction of the poultry sector in the UK, these total estimates could change. The overall cost to each specific sector would also change if the EU legislation is amended (i.e. the number and / or type of official samples required by the legislation is changed) or if current UK policy on delivery of the official control samples was required to change, following for example guidance received from the EU Commission. In addition changes in the structure/organisation of the AHVLA could also affect their operational costs

#### **BUSINESS ASSESSMENT (Option 1)**

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies
Costs: 0.128	Benefits: 0	<b>Net:</b> 0.128	No	NA

## **Summary: Analysis & Evidence**

Policy Option 2

**Description**: Introduction of a phasing in period, over 2 years, for the administration of the collection and examination of NCP official samples (on a sector specific basis); 50% of the increase required to achieve full cost recovery to apply from 1 October 2012 and 100% of the increase required to achieve full cost recovery to apply from 2013/14.

#### **FULL ECONOMIC ASSESSMENT**

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)			Net Benefit (Present Valu	
Year 2012	Year 2012	Years 10	Low: Optional High: Optional		High: Optional	Best Estimate: 0	
COSTS (£	m)	Total Tra (Constant Price)	nsition Years	Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)	
Low							
High							
Best Estima	te				0.126	1.073	
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#### Description and scale of key monetised costs by 'main affected groups'

Introduction of a phasing in period, over 2 years, for the administration of the collection and examination of NCP official samples (on a sector specific basis); 50% of the increase required to achieve full cost recovery to apply from 1 October 2012 and 100% of the increase required to achieve full cost recovery to apply from 2013/14. The charge for carrying out an NCP official sample will be as follows: for laying flocks £60.65; for breeder flocks £95.81; for broiler flocks £88.86; and for turkey fattening and breeding flocks £87.44. The sector specific flat rate covers the administrative costs including completion of paperwork, organising the visit, dispatch of samples to the testing laboratory, follow-up of testing results as required and the costs of the sampling kits. Farmers will also pay a set fee of £15.30 for the sample testing at an official Government laboratory (culture only) and the average time spent by Government officials in travelling to and from the farm carrying out the official sampling at farm at a rate of £23.64 / per 30 minutes. The average annual cost will be £0.126m which will be borne 100% by the food business operators. This option also covers inflationary increases ranging from 1.4% to 2.7% for the maintenance of a Defra approved private laboratory network, to be introduced at FCR from 1 October 2012.

#### Other key non-monetised costs by 'main affected groups'

There are no new administrative burdens on industry and existing systems for payment will continue to be used.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	<b>Total Benefit</b> (Present Value)
Low				
High				
Best Estimate			0.126	1.073

Description and scale of key monetised benefits by 'main affected groups' Benefits will accrue to taxpayers.

The magnitude of benefits will be the same as the costs above.

Other key non-monetised benefits by 'main affected groups'

#### Key assumptions/sensitivities/risks

Discount rate

3.5%

The figures are based on the assumption that the number of flocks within each specific poultry industry sector will remain at the levels seen in 2010. If there is an increase/contraction of the poultry sector in the UK, these overall figures will change. The overall cost to each specific sector would also change if legislation changes (i.e. number & type of official samples required by the legislation, or if current UK policy on delivery of the official control samples was required to change, following for example, guidance received from the EU Commission)

#### **BUSINESS ASSESSMENT (Option 2)**

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies
Costs: 0.125	Benefits: 0	Net: 0.125	No	NA

## 1. Salmonella National Control Programmes background

1.1 'Zoonoses' refers to any diseases that can be passed from animals to humans. Zoonotic diseases can be spread by eating contaminated food or via direct contact with animals (examples include Salmonella, E-coli and Rabies). These diseases can pose a significant risk to human health, animal health and welfare costing the economy millions of pounds each year.

#### Why is Zoonoses policy on the control of zoonotic disease required?

Protect human health;

Protect society, the economy and the environment from the effects of animal disease;

Improve the health and welfare of animals through the treatment and prevention of disease;

Promote international trade.

- 1.2 Following several 'food-scares' in the 1980s and 1990s which included large outbreaks of salmonellosis, new EU legislation was drafted which laid out a risk-based 'farm to fork' approach to food safety policy<sup>1</sup>. Consistent with this approach, Regulation (EC) No. 2160/2003 sets a framework for harmonised risk management of zoonotic agents across the food chain, starting at primary production and complementing existing food hygiene legislation.
- 1.3 The overall aim of the Salmonella National Control Programmes (NCPs), as required by Regulation (EC) No. 2160/2003, is to protect public health by reducing the prevalence of zoonotic Salmonella at the farm level and so reducing the risk to public health from salmonellosis (food poisoning). In particular, the programmes focus on reducing the risk to human health from the specific serovars (types) of Salmonella, which account for the majority of human salmonellosis cases Salmonella Enteritidis (SE) and Salmonella Typhimurium (ST).
- 1.4 Salmonella was considered a priority for control and eggs, poultry meat and pork were considered the main source of infections in humans. Therefore, the primary focus of this Regulation is Salmonella control in the commercial chicken, turkey and (in future) pig industry sectors.
- 1.5 The Regulation (EC) No. 2160/2003, requires each EU Member State to conduct a standardised baseline survey to determine the prevalence of Salmonella within their industry sectors, after which Salmonella reduction targets (specific to each Member State) are agreed. Each Member State is then required to implement a sector-specific Salmonella NCP laying down harmonised disease monitoring and control measures in order to achieve the Salmonella reduction target. Food business operators (i.e. farmers) are required to take samples to monitor for Salmonella

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<sup>&</sup>lt;sup>1</sup> General Food Law Regulation (EC) No. 178/2002

during rearing and production from all their commercial poultry flocks. Further official sampling is carried out by the Competent Authority (CA) to verify the progress with achieving the reduction target ('routine official sampling') or so that appropriate risk mitigation measures can be implemented ('risk based official sampling' which is not subject to cost recovery).

- 1.6 To date, 4 Salmonella National Control Plans (NCP) have been implemented in the UK<sup>2</sup>:
  - NCP for chicken breeding flocks introduced 2007<sup>3</sup>;
  - NCP for laying chicken flocks producing eggs for human consumption introduced 20084;
  - NCP for broiler chicken flocks introduced 2009<sup>5</sup>;
  - NCP for breeding turkey and fattening turkey flocks introduced 2010<sup>6</sup>.
- 1.7 The results of the NCP testing are used to inform farm management measures and monitor the efficacy of on-farm bio security procedures. In the event of detection of Salmonella in a chicken or turkey flock, official control measures are implemented depending on the type of flock and the serovar detected. Measures range from enhanced abattoir hygiene or mandatory heat treatment of eggs to culling of breeding flocks, with the overall aim of controlling the spread of Salmonella and limiting the risk to public health.

#### **NCP Stakeholders**

1.8 Responsibility for the implementation of each NCP is shared between Government and industry. Farmers (food business operators) are responsible for a large part of the sampling programme and for putting in place effective disease control measures specific to their individual circumstances and veterinary advice. Compliance with the NCP requirements is audited by Government officials. In England, Scotland and Wales, AHVLA are responsible for collecting and testing the official samples, whilst in Northern Ireland, DARD and Agri-Food and Biosciences Institute (AFBI) fulfil this role.

<sup>&</sup>lt;sup>2</sup> Introduced under the Control of Salmonella in Poultry Order 2007, Control of Salmonella in Broilers 2009, Control of Salmonella in Turkeys Order 2010

<sup>&</sup>lt;sup>3</sup> Implemented according to the requirements of Regulation (EC) No. 2160/2003 and Regulation (EC) No. 200/2010

<sup>&</sup>lt;sup>4</sup> Implemented according to the requirements of Regulation (EC) No. 2160/2003 and Regulation (EC) No. 517/2011

<sup>&</sup>lt;sup>5</sup> Implemented according to the requirements of Regulation (EC) No. 2160/2003 and Regulation (EC) No. 646/2007

<sup>&</sup>lt;sup>6</sup> Implemented according to the requirements of Regulation (EC) No. 2160/2003 and Regulation (EC) No. 584/2008

1.9 Government meets regularly with the poultry Salmonella NCP stakeholder group to review the effectiveness of the programmes and share best practice. The membership of this group comprises representatives of each sector, the devolved administrations, AHVLA and Defra. Codes of practice for each NCP have been developed and guidance documents laying out the specific requirements for each programme. In practice, Defra and the Devolved Administrations work together with Animal Health and Veterinary Laboratories Agency (AHVLA) - the delivery body, Food Standard Agency (FSA), Veterinary Medicines Directorate (VMD), EC European Food Safety Authority (EFSA) and the poultry industry.

### 2 Problem under consideration

- 2.1 Under current arrangements, the official sampling costs, the costs of the laboratory testing and provision of the laboratory quality assurance, and the approval scheme are borne by AHVLA and Defra, who recover these costs from operators. There is however, no cost recovery for the statutory official sampling carried out following detection of a Salmonella positive flock, for enforcement visits to farms, for further typing of salmonella isolates (serotyping, additional molecular testing etc), antimicrobial resistance testing, or the provision of expert advice on Salmonella control on farm provided during farm advisory visits.
- 2.2 When the NCP charges were first introduced (England 2007, Scotland and Wales 2008) it was agreed that the charges would be phased in over a three year period. This would allow businesses time to adjust their financial planning to take account of the new costs and so mitigate, as far as possible, the expected impact/burden of introduction of the costs in one go. By 2010, it was expected that full cost recovery for the aspects of the NCPs and laboratories that are the subject of this impact assessment would be in place and that future increases would only be 'inflationary' increases.
- 2.3 The Zoonoses and Animal By-Products (Fees) Regulations (England, Scotland and Wales) provides for AHVLA, in their role as the delivery body (on behalf of the Competent Authority), to recover full costs incurred for some of the implementation requirements of the Salmonella NCPs for laying chicken, breeding chicken, broiler and turkey flocks. The Fees Regulations cover the following:
  - the collection and bacteriological examination of routine official samples under Regulation EC 2160/2003;
  - voluntary additional testing that can be carried out at the request of layer flock operators to confirm a positive result (allowable under Regulation EC 1237/2007);
  - services provided to maintain the Defra approved private laboratory network required under Regulations EC 2160/2003 and (EC) 882/2004; and the Animal-By Products testing regime (including Poultry Health Scheme).

- 2.4 Under EU legislation each Member State's competent authority is required to collect and examine routine official samples for each of the Salmonella programmes. Agreement was obtained between Government and industry stakeholders that the NCP official sampling would be subject to full cost recovery. Therefore, since inception of the programme in 2008, there has been the accompanying Fees Regulations. Article 12 of Regulation (EC) 882/2004 requires the Competent Authority in each EU Member State to designate laboratories that carry out the analysis of samples during official controls. Similarly it has been agreed that services provided in relation to the authorised laboratory scheme should also be recovered fully, since the designation of these laboratories being able to test under the requirements of the NCPs results provides a commercial benefit to the laboratory operators.
- 2.5 The Fees legislation also applies to eligible registered owners of layers, breeders, broiler and turkey flocks who are subject to the requirement for routine official testing except where production is for private domestic use, or only small quantities of product are produced and supplied directly to the final consumer. It also applies to laying chicken operators who have the option to carry out additional voluntary testing in the event a positive *Salmonella* result is obtained, in order to rule out the possibility of a false positive result and in some cases receive an insurance payout for the loss of the flock.
- 2.6 AHVLA charges for the farm visit and collection of routine official samples are primarily applicable to operators who are not members of an approved industry control programme. For operators who are members of an industry assurance scheme that has been approved by Government as an industry control programme, the routine official samples are taken by their nominated industry control body (ICB) and this activity is subject to full cost recovery collected by industry (generally as part of the assurance scheme membership fee).

Table 1: NCP current charges in GB

Fees	England, Wales and
Regulations	Scotland
Base Fee (administration e.g. arranging visits, paperwork)	£76
Plus Investigation Fee AHVLA time spent on farm/holding	£29 per ½ hour (or part
	thereof)
Cost of AHVLA laboratory examination of official samples	£15.30

## 3 Rationale for intervention (basis for charging)

3.1 The charges currently in the 2010 Fees Regulations do not reflect the true costs to Government of carrying out the statutory official sampling requirements and in fact, food business operators are currently still being subsidised by the taxpayer. It is therefore recognised that Government intervention is necessary, to ensure full cost recovery and relieve the burden on the general taxpayer. (The increase of the fees for maintaining the private laboratory network, are inflationary ranging from 1.4% to 2.7%).

## 4 Policy objective

- 4.1 Our objective is to achieve full cost recovery for specified Competent Authority functions (delivered through AHVLA) carried out to fulfil the requirements of EU and national legislation for implementation of the Salmonella NCPs. Full cost recovery for these functions, including specifically the requirement for routine official sampling, bacteriological testing of these samples and maintenance of the Defra approved laboratory network, has previously been agreed with the UK poultry industry. This will be achieved by updating the Fees Regulation 2010.
- 4.2 The intended effect of the policy is twofold. Firstly it will achieve a more efficient use of public resources by transferring the cost of service provision (in this case the cost of official controls as carried out under Regulations (EC) No. 2160/2003 and (EC) No. 882/2004 from the general taxpayer to the customers (farmers/ food business operator). Farmers and food business operators are directly responsible for compliance with the requirements of legislation on food safety and the provision of safe food. Secondly, it removes the cross sector subsidy between the poultry sectors producing a fairer more transparent charging system (estimated that the laying flocks sector subsidises the other NCP sectors by approximately £9,500 (based on the straight average)<sup>7</sup>.. This approach will result in a move towards full cost recovery which is in line with Whitehall Government policy (Managing Public Money) 8.
- 4.3 Generating revenues to provide public services by charging users, is widely practiced across government departments (such as the UK Identity and Passport Service and DVLA). AHVLA, a public body in accordance with Coalition Government policy, has committed to full cost recovery and this is reflected in their Corporate and Business Plan 2011-2012.
- 4.4 This Impact Assessment applies to England, Wales and Scotland only. In Northern Ireland, the Department of Agriculture and Rural Development (DARD) consulted on this matter and revised their fees in April 20139. This assessment does not seek to re-consider the costs and benefits of

<sup>&</sup>lt;sup>7</sup> [Straight average is the average of all the NCP rates on the average all flocks

<sup>&</sup>lt;sup>9</sup> The Zoonoses (Fees) (amendment) Regulations (Northern Ireland) 2012. No.158

the NCPs which are the subject of separate legislation, rather it analyses the distributional impacts of the fees regulations, in effect the transfer of costs from Government to industry.

## 5 Description of options considered

- 5.1 Three options have been considered for revising the charging fees administration of the collection and examination of NCP official samples (on a sector specific basis) and maintenance of a Defra approved private laboratory network and they are:
- **Do nothing:** No intervention. Under this option charges would remain the same, there would be no change to the current policy of partial cost recovery. This option represents the baseline against which the options 1 & 2 are compared.
- Option 1: Introduction of a full cost recovery charging regime for all applicants from 1<sup>st</sup>
   October 2012 for administration of the collection and examination of NCP official samples (on a
   sector specific basis) and maintenance of a Defra approved private laboratory network. This is
   our preferred option.
- Option 2: Introduction of a phasing in period, over 2 years, for the administration of the collection and examination of NCP official samples (on a sector specific basis); 50% of the increase required to achieve full cost recovery to apply from 1 October 2012 and 100% of the increase required to achieve full cost recovery to apply from 2013/14. This option also includes inflationary increases ranging from 1.4% to 2.7% for the maintenance of a Defra approved private laboratory network; 100% of the increase required to achieve full cost recovery to apply from 1 October 2012.
- 5.2 Alternative policy options were considered for the collection and examination of official samples, for instance whether to retain the current flat rate system with revised charges to allow 100% full cost recovery by October 2012. However, owing to the issue of the unfair cross sector subsidy between the NCP sectors, this option was discounted.
- 5.3 Under the 'do nothing' option, there would be no change to the Fees Regulations, essentially partial full cost recovery. In 2011-12 it is estimated that it cost AHVLA £230,855 to carry out the functions required for implementation of the NCPs) and £78,766 for maintaining the Defra approved laboratory network); in total £309,621. AHVLA are operating to a current estimated shortfall of £135,130. This option is not sustainable owing to the difference between the forecast and actual rates, hence the review of the charge out rate calculations. The previous rates were based on 2009 2010 charge out rates; the current fees have been based on rates for 2012 13.

- 5.4 The proposed charges are fully outlined in **Annex A.** The current NCP Fees legislation permits charging customers for some of the official sampling that is undertaken by AHVLA. As laid out in the EU legislation, the *Salmonella* NCP requirements apply to all commercial breeding, laying, broiler and turkey flocks. The type and number of samples is specified in the legislation governing each NCP (i.e. sector specific). It is envisaged that this will not change significantly in the coming years.
- 5.5 There is no change to the £15.30 fee that AHVLA charge for bacteriological testing of official samples and also no change to the fees for laboratory inspection and the provision of the laboratory quality assurance (proficiency testing) scheme. These charges, as included in the 2010 Fees Regulation, allow for full cost recovery and therefore are not the focus of this IA. However, it is proposed that the layer sector would now be subject to full cost recovery for all aspects of the official samples bacteriological testing. Since inception of the layer NCP, Government has subsidised testing of the official dust sample. Essentially the layer sector would in future pay for two sets of official samples bacteriological testing at £15.30, whereas previously they only paid for one charge.
- 5.6 In accordance to Government policy, the proposed changes to the Fees Regulations reflect full cost recovery comprising:
  - Introducing sector specific charges (Annex A) for each of the Salmonella NCPs (laying flocks, breeder flocks, broiler flocks and turkey fattening and breeding flocks). These fees take into account the inherent differences in the implementation requirements of each Salmonella NCP and ensure that charges are more fairly distributed to all food business operators. The new timings reflect the actual time taken by AHVLA staff to prepare for 'official sampling'. They include, scheduling visits, completing paperwork, updating IT systems and sending samples and is based on work time recording statistics. This charge also covers equipment costs and the costs of dispatch of the samples to the Government laboratory for testing.
  - The move to full cost recovery. For NCP official samples, AHVLA will now charge £23.64 per ½ hour (or part ½ hour) spent, (previously £29 per ½ hour) for AHVLA staff time spent on farm (includes travel). This revision is also based on work time recording statistics and has resulted from revised figures obtained following improvement in recording systems since the initial introduction of the *Salmonella* NCPs. Average travel time is anticipated to be 2 hours from the nearest AHVLA office to the food business operator's premise and the return trip.
  - The layer sector to be subject to full cost recovery for the bacteriological testing of the official samples. Currently this sector pays (£15.30 per sample) for the bacteriological culture testing bootswab component. The second component of the NCP requires a dust test currently

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 $<sup>^{</sup>m 10}$  Travel would be calculated from the nearest AHVLA office to customer and includes the return trip

- subsidised by Government. It is proposed that industry pay for this (£15.30 per sample) in accordance with the principles of full cost recovery.
- 5.7 The charges for the approved laboratory network quality control tests reflect an inflationary increase of between 1.4% to 2.7% (excludes administration costs) covering timings, consumables and reagent quantities. These charges were not increased during the last revision of the Fees. There are currently 47 laboratories participating in this network. It should be noted that these fees will be subject to review in 2013/14.
- 5.8 Option 1 (full cost recovery from October 2012) is our preferred option. This is owing to several factors. The sector specific charges take into account the inherent differences in the requirements of each Salmonella NCP and ensure that charges are more transparent and fairly distributed to all food business operators (farmers). The revised fees will also remove the unfair cross sector subsidy between the NCP sectors. It is also recognised that given the current economic climate and pressures on Government expenditure, a move to full cost recovery will relieve the burden on the taxpayer of subsidising AHVLA's provision of its services without compromising Governments responsibility of reducing the prevalence of zoonotic Salmonella at the farm level and therefore the risk to public health from salmonellosis (food poisoning) in the UK.
- 5.9 Given that this impact assessment is part of a package of fee related charges for AHVLA services, it is recognised that our preferred option differs to the phased-in approach being taken for other charges and in turn that this will have a different impact on businesses. We will explore this issue further with stakeholders during the consultation. However, it is important to note that the Salmonella NCPs and accompanying Fees Regulation have been in place for several years. When first introduced, it was agreed with industry that the related charges would be at full cost recovery. A three year phasing in period has already been applied to allow businesses time to adjust their financial planning and the poultry sector has previously benefited from concessions, such as Government not charging industry for the first year of each NCPs implementation.
- 5.10 It is acknowledged that the impact of the changes to the NCP official sampling is mixed, as some sectors such as the laying flocks will decrease by £15.35 (from £76 to £60.65) others will have increased costs. Table 2 below shows the total number of premises and poultry flocks eligible for testing under the requirements of the NCP, the number of *Salmonella* poultry routine official samples taken in Great Britain 2010 and the NCP legislative requirements. **Annex C** shows a comparison between current costs and estimated costs as set out under option 1.

Table 2: Premises and poultry flocks eligible for testing under the requirements of the NCP

Sector	Number of premises in GB eligible under the general requirements of the NCP (flocks) <sup>1</sup>	Number of premises that underwent routine official testing during 2010 (flocks and % of target required by the legislation)	Legislative requirements for official sampling
Breeding chickens	319 (1374)	319 (1374 - 100%)	Official sampling twice during life of flock (one taken by operator under supervision)
Laying chickens	1524 (4099)	1349 (1349 - 100%)	1 flock on all premises with more than 1000 birds
Broilers	Approximately 1144 (335000)	128 (128 - > 100%)	1 flock on 10% of premises with more than 5000 birds
Fattening turkeys*	3078 flocks (2814)	28	All flocks on 10% of premises with more than 500 birds
Breeding turkeys*	Number premises (249)	36	All flocks on 10% of premises with more than 250 parent breeding birds. All grandparent and great grandparent (i.e. elite) birds

#### \* Figures provided by AHVLA may be subject to revision

- 5.11 Between April 2011 and January 2012, 373 businesses were invoiced for NCP official sampling. It is difficult to give an exact number as in some cases the large integrated breeder and broiler companies are owned by multinational companies.
- 5.12 For the laying chicken and breeding chicken NCPs, the premises and flocks that are required to be officially sampled each year are specified in the legislation, as all premises with more than 1000 commercial laying chickens and all breeding flocks of more than 250 birds.
- 5.13 For the broiler and turkey NCPs, only a 10% selection of the total number of premises in Great Britain are required to undergo routine official sampling annually. Premises to be sampled are selected randomly to ensure a representative sample based on geographical location and size of enterprise. Except for the Turkey NCP, a rolling selection process is used to ensure that premises are not selected for sampling again in subsequent years for a five year period.
- 5.14 The total income generated by NCP official sampling for 2011-12 is forecast at £95,725. These figures include the income generated from the Turkey *Salmonella* NCP, introduced in 2010, which AHVLA commenced charging for in November 2011. This is because as with the other programmes, it was agreed with industry that no charges would be imposed during the first year of

implementation. The income generated by the maintenance of the private laboratory network is forecast at £78,766.

#### **Benefits**

#### Option 1

- 5.15 As from 1<sup>st</sup> October 2012, there would be no cost to tax payers for subsidising the commercial poultry sector. AHVLA would recover full costs (£230,855) for the service it delivers to food business operators.
- 5.16 Our proposals to introduce sector specific charging would provide a more transparent and efficient financial approach. It would remove the subsidy of food business operators by the tax payer and the unfairness of cross sector subsidy between the NCP sectors (it is estimated that the layers sector currently pay an extra £9,500). It would also ensure that food business operators (farmers) pay for the true cost of the service they receive. There would be no cost to the taxpayer for maintaining the Defra approved private laboratory network.

#### Option 2

- 5.17 By 1<sup>st</sup> October 2013 AHVLA would recover full costs for the service it delivers to food business operators. It could be argued that the 2 year phasing in period would provide food business operators, some of whom are small to medium enterprises, the opportunity adjust their financial planning to take account of the changes in the fees and so mitigate, as far as possible, the expected impact/burden of introduction of the increased costs e.g. reducing the number of flocks kept, planning operational changes in the fees. The industry has previously benefited from a phasing in period; an additional phasing in period could be construed as an unfair subsidy.
- 5.18 Our proposals to introduce sector specific charging will provide a more transparent and efficient financial approach and remove the unfair cross sector subsidy currently happening between the NCP sectors. Similarly, there would be no cost to the taxpayer for maintaining the Defra approved private laboratory network.

#### Costs

#### Option 1

5.19 The additional cost over the baseline for a full year from October 2012 is £135,908. For financial year 2012/13 the increase is £67,954 and £135,908 a year thereafter. Food business operators who are subject to the requirements of the *Salmonella* poultry NCPs would be required to pay the full costs for the routine official sampling of their flocks. Customers of the Defra approved private laboratory network will pay charges that comprise inflationary increases to the existing fees.

- 5.20 Customers of the Defra approved private laboratory network will pay charges that comprise inflationary increases ranging from 1.4% to 2.7% to the existing fees. The fee of £15.30 that AHVLA charge for bacteriological testing of official samples remains the same.
- 5.21 The noticeable change is to the official sampling charges, with the introduction of a flat rate sector specific charge. We have reviewed processes and timings and with a reduction in our charge out rates for 2012-13. Food business operators will now be charged the relevant flat rate sector specific charge and the actual duration (including travelling time) of a visit at £23.64 per  $\frac{1}{2}$  hour (or part thereof). So, if for example the duration of a visit was 39 minutes, it would be charged per 30 minutes i.e.  $2 \times £23.64 = £47.28$ .

#### (a) NCP for Salmonella in Breeders

The **flat rate sector specific** charge will be £95.81; an increase of £19.81 from the current charge of £76.

## (b) NCP for the control of Salmonella in Commercial Egg Laying Flocks 'Layer' 11

The **flat rate sector specific** charge would be £60.65; a decrease of £15.35 from the current charge of £76. The new system has less overall time on the visit coupled with an increase in the charge out rate. This sector would also be expected to pay for two sets of official samples for bacteriological testing at £15.30 whereas previously they paid one charge. **It should be noted that travelling time is not costed.** It is assumed the AHVLA EMI officials will already be on farm conducting inspections under the egg marketing regime.

#### (c) NCP for Salmonella in Broiler flocks

The **flat rate sector specific** charge would be £88.86; an increase of £12.86 from the current charge.

#### (d) NCP for Breeding and fattening Turkeys

Since 2010, the Fees Regulations have been amended to include turkey costings and the same charging regime applies as with the other NCPs. Official sampling is undertaken either by AHVLA or the ICB for Quality British Turkey (QBT) producers acting on behalf of the CA.<sup>12</sup>

The **flat rate sector specific** charges will increase respectively from £76 to £87.44 for fattening and breeding turkeys when official sampling is carried out by AHVLA, and £74.63 for fattening and breeding turkeys when undertaken by the ICB.

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<sup>&</sup>lt;sup>11</sup> EC 1237/2007

- 5.22 Introduction of a phasing in period, over 2 years, for the administration of the collection and examination of NCP official samples (on a sector specific basis); 50% of the increase required to achieve full cost recovery to apply from 1 October 2012 and 100% of the increase required to achieve full cost recovery to apply from 2013/14. This option also includes inflationary increases ranging from 1.4% to 2.7% for the maintenance of a Defra approved private laboratory network; 100% of the increase required to achieve full cost recovery to apply from 1 October 2012.
- 5.23 The total additional charges are as follows: for financial year 2012/13, £51,652; financial year 2013/14, £121,607; and £135,908 from 2014/15 onwards. The Sector specific charges would be the same as set out under option 1 (paragraph 5.21 (a) (d)), but would be introduced over a 2 year period.
- 5.24 According to current estimates, between April 2011 to January 2012, AHVLA invoiced 420 individual businesses/farmers for NCP services<sup>13</sup> (373 for NCP sampling requirements and 47 approved laboratories). The impact of these changes to the fees on the poultry sector will be mixed as for some sectors there will be an increase and for others an increase. **Annex C** shows a comparison of current costs against estimated average costs for each sector.
- 5.25 Table 3 shows the additional cost to businesses from the increased charges assuming no change in the volume of activity. This cost to business (which because the charge is equivalent to a transfer is also the benefit to the taxpayer) is shown at constant prices (assuming no inflation) and present values (discounted at 3.5%). Average annual constant price and total present value estimates from this table are shown on the option summary pages at the beginning of this Impact Assessment.

Table 3: Increase in costs to business from higher charges (equivalent to benefit to taxpayer) (Financial years £m)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
At											
constant											
prices											
Option 1	0.068	0.136	0.136	0.136	0.136	0.136	0.136	0.136	0.136	0.136	1.292
Option 2	0.052	0.122	0.136	0.136	0.136	0.136	0.136	0.136	0.136	0.136	1.262
Present											
Value											
Option 1	0.068	0.131	0.127	0.123	0.119	0.115	0.111	0.107	0.103	0.100	1.103
Option 2	0.052	0.118	0.127	0.123	0.119	0.115	0.111	0.107	0.103	0.100	1.073

<sup>&</sup>lt;sup>13</sup> Source AHVLA

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## 6 Cumulative Impact

- 6.1 Some businesses affected by these proposals apply, will also be affected by the proposals to increase charges that fall under the remit of the Poultry Health Scheme (PHS) (Impact Assessment number Defra 1434). Namely, those poultry food business operators (primarily chickens and turkeys) who want to export more than 20 birds, sell birds or eggs to other PHS members, or export to certain third countries. We anticipate that this mainly applies to the larger multinational Salmonella NCP poultry food business operators (it is estimated there are about 16 such operators in total) and may also apply to a few specialist operators.
- 6.2 Policy-makers recognise there will be a cumulative impact of both Salmonella NCP and PHS proposals. This is something we want to better understand and will be seeking views through consultation with stakeholders. Both PHS and Salmonella NCP charges are part of a package of related fees changes which we will be consulting on at the same time.
- 6.3 It is important to note that other fees and charges may also be increased or introduced over time, in line with Government's policy to recover the full cost of service it delivers.

## 7 Pre consultation workshop

- 7.1 In the interests of transparency, early engagement and to inform the development of this impact assessment and the consultation document, Defra, the Devolved Administrations and AHVLA held a pre-consultation workshop on 1 May 2012. Attendees included senior representatives from the poultry industry trade associations, the NFU, poultry companies and poultry veterinarians. The background and context of the proposals, along with a detailed breakdown of AHVLA activites which make up the charges, were set out.
- 7.2 During the discussion, several constructive suggestions were made. For example, exploring further the possibility of amalgamating AHVLA official sampling visits; exploring if Local Veterinary Inspectors (LVI) who may already be present on operator premises can undertake NCP official sampling; or increasing industry involvement by establishing more Independent Control Bodies specifically for broilers, all of which could help reduce costs. It was also requested that AHVLA provide a further breakdown of costs i.e for the bacteriological testing. Defra and AHVLA have committed to pursuing alternative approaches to delivering official sampling requirements for Salmonella NCPs with industry, alongside the formal consultation this Summer.
- 7. In addition, during the formal consultation we will ask industry their views specifically on:
  - Introduction of sector specific charges for each of the Salmonella NCPs;

- The move to full cost recovery for the NCP official samples, principally AHVLA charging £23.64 per ½ hour (or part ½ hour) spent for the time spent on farm when carrying out official sampling;
- Layer sector paying full cost recovery for official sampling, essentially paying £15.30 per sample for the dust component of the NCP test, where as now this is subsidised by Government;

The potential cumulative impact of increased charges for AHVLA services for *Salmonella* NCPs and the Poultry Health Scheme.

## 8 Risks and assumptions

## <u>Risks</u>

- 8.1 The AHVLA Corporate Plan 2012/13 documents the committment to recovering full costs for the services AHVLA provide by 2014/15, which is in accordance with Government policy. The main risk if full cost recovery based charges are **not** introduced is that cuts to the public subsidy for implementation of the Salmonella Poultry NCPs, without an increase in the contribution from industry, may result in AHVLA being unable to provide the current level of service/or a reduction in the coverage and speed of their service provision.
- 8.2 In turn, this could result in reduced protection of public health and also have a potential impact on industry's trading ability e.g. loss of consumer confidence and also reputational damage with EU trading partners if a foodborne zoonoses occurs. If the programme is not fully implemented, there could be an impact on trade of breeding stock and products e.g. Class A table eggs with other EU Member States.
- 8.3 There is also a possibility of infraction proceedings being taken by the EU Commission if there is a failure to meet all the requirements of the *Salmonella* programmes, as laid out in EU legislation, including the required number of official samples.
- 8.4 The overall cost to each specific *Salmonella* NCP could change if the EU legislation is amended (i.e. the number and / or type of official samples required by the legislation is changed) or if current UK policy on delivery of the official control samples was required to change, following for example guidance received from the EU Commission.
- 8.5 If AHVLA conduct less official sampling, this reduction in surveillance may mean some foodborne zoonoses may not be identified at an early stage. Although difficult to quantify, there would be cost to Government (NHS) in handling the impact salmonella outbreak. Having the NCPs in place can provide savings to Government.
- 8.6 The main risk of introducing full cost recovery based charges is:

- An increase in food business operator/farmer non-compliance with the NCP official sampling requirements. However the likelihood of this is considered to be remote as it would be counterproductive to the industry and harm its reputation with consumers and retailers.
- 8.7 There is also a risk to businesses if the cumulative impact of increased charges for AHVLA services for *Salmonella* NCPs and the Poultry Health Scheme are not properly explored and understood. This is something we will be exploring with stakeholders through the consultation.

#### <u>Assumptions</u>

- 8.8 The main assumptions are:
  - The service costs for 2012 and 2013, upon which the fees are calculated, are based upon the
    assumption that the number of flocks and the number of premises within each specific poultry
    industry sector will remain approximately at the levels seen in 2010, as will the number of
    official sampling visits which are required.
  - That it is mainly the larger multinational Salmonella NCP poultry food business operators, (estimated there are approximately 16 in total) and a few specialists that could be affected by a cumulative impact of increased fees for AHVLA services for Salmonella NCPs and the Poultry Health Scheme.
  - That because the requirements for Salmonella NCPs apply across the EU, the proposed increase to charges will not significantly disadvantage UK based food business operators. This assumption will be explored further in the formal consultation. Across the EU, member states have taken different approaches to implementing charges for Salmonella NCPs. In Ireland, France, Estonia, Norway and Latvia food business operators are fully subsidised for the collection and bacteriological examination of routine samples. The Netherlands, Poland, Finland, Romania and Lithuania either partially or fully recover the charges. In relation to the designated laboratory network, several EU members (France, Luxembourg, Poland and Norway) fully subsidise the network. Others (Finland, Estonia, the Netherlands and Romania) recover costs for their laboratory network, like the UK.
- 8.9 The assumptions will be reviewed during the formal consultation process with stakeholders.

#### 9 Direct costs to businesses

9.1 These proposals are not under the scope of One-In-One-Out in line with the statement by the MoS for Business and Enterprise that 'fees and charges should only be considered in scope of the Government's One in One Out policy where they resulted from an expansion in the level of regulatory activity.' These proposals do not expand the level of regulatory activity. Treasury's Managing Public Money clearly states that it is government policy to charge for many publicly provided services and the norm is to cover full costs for services and all options presented work towards this aim.

## 10 Wider impacts

1. Small Firms Impact Test.

In most cases food business operators within this sector are classified as small tomedium enterprises with less than 250 employees. A request for evidence of impacts on small businesses will be carried out through informal and formal consultation. However, it is important to recognise EU legislation sets out a risk based assessed minimum threshold for each NCP programme and in most cases very small businesses are excluded from the requirements of the NCP legislation<sup>14</sup>. **Annex C provides more details**.

#### **Approved Laboratories**

• The costs of the services provided to these business (currently 47) for quality assurance tests will increase but this is inflationary ranging between 1.4% to 2.7% (excludes the administration costs). It is not considered that these businesses would not be disproportionately affected by the proposed charges as the charges themselves are relatively small and are incurred on a voluntary basis by the laboratories – ie are only incurred should a laboratory apply to attain Defra approval if they want to test samples under the *Salmonella* NCPs, PHS and Animal Byproducts legislation. All of these services are commercially profitable to the laboratory. It is recognised that because laboratories are not obliged to incur these costs they do not fall equally across all the industry.

#### NCP Salmonella food business operators

• For the purposes of the Salmonella NCPs the proposals relate specifically to the official samples which are collected and analysed at AHVLA on behalf of the Competent Authorityfees for which are increasing as outlined in the paragraph above. In addition, for poultry food business operators who want to export more than 20 birds, sell birds or eggs to other PHS members or export to certain third countries for PHS will also have to use AHVLA services for laboratory testing fees under the PHS regime are also increasing. As such, these businesses could be disproportionately affected by the cumulative impact of both proposals. This issue will be explored through the consultation.

#### Legal Aid

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

#### Carbon Impact Assessment

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

#### Other Environmental Issues

<sup>&</sup>lt;sup>14</sup> Regulation 2160/2003 Article 1 (3)

4 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**

7 These proposals do not alter the number or frequency of inspections made to protect public health, but rather the sustainability of the inspection system going forward, by ensuring full costs are recovered and that therefore the necessary number and quality of official visits continue in future years.

#### Race /Disability/Gender

8 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 all businesses (except the very smallest) involved in the activities covered by the legislation.

#### **Human Rights**

9 No impacts noted.

#### **Rural Proofing**

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

Annex A

Table (i) Summary of proposed charges

Activity	Current charge	Option 1 Full cost recovery charges	Option 2 Phased in charges
AHVLA on farm (time based) sampling time and travel time would be costed at this rate	£29 per ½ hour (or part of ½ hour) spent	£23.64 per ½ hour (or part of ½ hour) spent	£23.64
*Laying flocks -	£76	£60.65	£60.65
*Breeding flocks -	£76	£95.81	£86.00
*Broiler flocks	£76	£88.86	£82.43
*Fattening Turkeys by AHO	£76	£87.44	£81.72
*Breeding Turkeys by AHO	£76	£87.44	£81.72
Examination of official samples	£15.30 (per sample)	No change	No change

To note: \* These figures may subject to minor alteration before the consultation

## Table (ii) Summary of proposed charges for Laboratories

To note: Phased in and full cost recovery charges are the same.

# These charges have increased in line with inflation and will therefore apply from Autumn 2012 (i.e. without phasing in). They are rounded to the nearest whole £1, giving increases ranging from 1.4% to 2.7 (excludes administrative costs).

Description of Activity	Option 1 Full cost recovery charges	Option 2 Phased in charges
Processing application for approval of a laboratory Article 12 of the Regulation (EC) 2160/2003,	£18.50	n/a
Processing annual renewal application from an approved laboratory Article 12 Regulation (EC) 2160/2003,	£43.50	n/a
Inspecting a laboratory, for the purpose of Article 12 Regulation (EC)		n/a
2160/2003,	a) £604.50 + Defra charge £37.50; total £642	
a) one test	b) £624.00 + Defra charge;	
b) two tests	total £661.50	
c) three tests	c) £643.50 + Defra charge;	
d) four tests	total £681.00	

	d) £663.00 + Defra charge; total £700.50	
	total £700.50	
Administering a quality control test, under, Article 12 Regulation (EC) 2160/2003,		n/a
a) Salmonella CSPO single distribution (CSPO x4 distribution)	£37.00 £148.00 (£37 x 4)	
ABPR single distribution (ABPR x4 distribution)	£37.00 £148.00 (£37 x 4)	
b) Enterobacteriaceae ABPR single distribution (ABPR x4 distribution)	£68.00 £272.00 (£68 x 4)	
c) Clostridium Perfringens ABPR single distribution (ABPR x4 distribution)	£68.00 £272.00 (£68 x 4)	
The following are three "Optional Tests" ("Clearance Testing" to confirm or prove to		
Conducting tests under point 4(b) (i) of part D of Annex II to the European Regulation *		
Enhanced Environmental Testing to detect Salmonella	£107.10 (7x 15.30)	No change to the current charge
***Conducting tests under point 4(b) (ii) of part D of Annex II to the European Regulation	£3,560	n/a
Testing internal organs from 300 carcasses for the presence of Salmonella		
Conducting tests under point 4(b) (iii) of part D of Annex II to the European Regulation	£2,310	n/a
a) Testing 4000 eggs for the presence of Salmonella		

<sup>\*</sup>EU regulation (ec) 2160/2003, replaced by Annex I of Regulation (EC)1237/2007

<sup>\*\*</sup>For 2011/12 a 4.5% increase this was not previously increased during last revision of Fees

<sup>\*\*\*</sup>For 2011/12 a 3.3% increase this was not previously increased during last revision of Fees

## Annex B: Details of how each charge is derived<sup>15</sup>

#### 1. Taking or supervising the taking of official control samples

It covers the costs that are associated with the supervision of or the taking of official control samples on all holdings

	Current charge	Option 1 Full cost recovery charges	Option 2 Phased in charges
Base fee flat rate (per sector)			
layers	£76	£60.65	£60.65
breeders	£76	£95.81	£86
Broilers	£76	£88.86	£82.43
Turkey fatteners (AHVLA)	£76	£87.44	£81.72
Turkey Breeders (AHVLA)	£76	£87.44	£81.72
On farm fee (includes travelling time) £23.64 per ½ hour (or part thereof)	£29	£23.64	£23.64

#### Base fee per sector

This fee covers the administrative costs including completion of paperwork, organising the visit, dispatch of samples to the testing laboratory, follow-up of testing results as required and the costs of the sampling kits. Following changes to AHVLA charging systems and the number of tests required for each sector it is now considered that 'sector specific' charges are fairer and more transparent.

#### On farm fee (time based)

This is a time based charge based on the hourly rate of an Animal Health Officer (AHO) (£47.27) who would be conducting the official visit for the collection of official samples. The fee will be charged based on the amount of time spent on the farm taking the official sample and the time taken to travel to and from the farm. This charge is a decrease from £29 per ½ hour (or part thereof) to £23.64 per ½ hour (or part thereof). It should be noted that travelling time is now costed (averaged out to 2 hours) separately and will be included in the overall charges to be levied to the producer.

#### 2. Examining official control samples

The cost to AHVLA (previously VLA) to examine an official sample. This charge has not changed due to enhanced lab processes.

	Current charge	Option1 Full cost recovery charges	Option 2 Phased in charges
Examining official control samples	£15.30	No change	No change

#### Laboratory testing cost

Additional costs will be added to the overall cost payable by the farmer including a set fee of £15.30 for the culture of the samples at an official Government laboratory as required by the legislation. This charge is derived from the costs of culture media, time etc. These figures were not increased during the previous revisions to the Fee Regulations.

<sup>&</sup>lt;sup>15</sup> Figures for the charges have been rounded to the nearest 50 pence

## 3. Processing of an application for approval of a laboratory Regulation 21 of the Regulations or Article 12 of the European Regulation (under the Defra laboratory approvals scheme).

	Current charge	Option 1 Full cost recovery charges	Option 2 Phased in charges
Processing application for laboratory approval	£13	£18.50	n/a

Inflationary increase. It 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. it is additional to the annual registration charge under the scheme).

How the charge is derived:

1 x Defra official AO grade x hourly rate spending 0.5 hours to complete the initial administration of an application.

#### 4. Processing of annual registration documentation for laboratory approval

Inflationary increase. It 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.

	Current charge	Option 1 Full cost recovery charges	Option 2 Phased in charges
Processing annual registration laboratory approval	£31	£43.50	n/a

The charge has been rounded up to the nearest 50 pence

## 5. Inspecting a laboratory for the purpose of Regulation 21 of the 2005 Regulations, or Article 12 of the European Regulation (maintenance of Defra approval status).

This charge has not changed. It covers duties performed by the AHVLA 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 or three years) for the PHS or in response to a laboratory's failure to correctly identify a succession of quality assurance samples or another anomaly that indicates a potential quality issue (the Salmonella NCP and ABPR testing schemes as well as Poultry Health Scheme). AHVLA carries out the inspection and Defra provides administrative support to this function.

Number approved tests carried out	AHVLA component	Defra administration	Total
by lab inspected		charge	
1 test	£604.50	£37.50	£642.00
1 tests	£624.00	£37.50	£661.50
3 tests	£643.50	£37.50	£681.00
4 tests	£663.00	£37.50	£700.50

Costs have been rounded to the nearest 50 pence.

The charge is made up of two parts, AHVLA activities and Defra administrative costs.

The AHVLA part of the charge is derived from travelling time to the customer and return, inspection time, consideration time, writing up the report and answering customer queries.

## 6. Administering a quality control test under Regulation 21 of the Regulations of Article 12 of the European Regulation (Provision of the quality assurance/ proficiency testing scheme).

EU legislation<sup>16</sup> requires laboratories approved or designated by the Competent Authority to carry out testing under the legislative requirements to participate in a proficiency testing scheme. In addition, this is a requirement for accreditation to ISO17025. The scheme, where relevant, is organised or coordinated by the National Reference Laboratory (which is the AHVLA Salmonella reference laboratory at Weybridge for the *Salmonella* NCPs) The charge for participation in this scheme is subject to full cost recovery. These charges have been increased in line with inflation and rounded to the nearest whole £ giving increases ranging from 1.4% to 2.7%. These figures were not increased during the previous revisions to the Fee Regulations.

#### Purpose of charges

This charge covers the production and dispatch of QA samples to participating laboratories who are required to examine the sample to determine the presence or absence of specific organisms and then return results to AHVLA. Defra provides administrative support to this function.<sup>17</sup>

Organism tested	Current AHVLA charge	Option 1 Full cost recovery charges	Option 2 Phased in charges
Salmonella (CSPO) single distribution  CSPO x 4 distribution	£36.00 £144.00 (£36 x 4)	£37.00 £148.00 (£37 x4)	n/a
Salmonella (ABPR) single distribution  APBR x 4 distribution	£36.00 £144.00 (£36 x 4)	£37.00 £148.00 (£37 x 4))	n/a
Enterobacteriaceae (ABPR) single distribution  ABPR x 4 distribution	£67.00 £268.00 (£67 x 4)	£68.00 £272.00 (£68x 4)	n/a
Clostridium Perfringens (ABPR) ABPR x 4 distribution	£67.00 £268.00 (£67 x 4	£68.00 £272.00 (£68 x4)	n/a

The charge is made up of AHVLA activities.

The AHVLA 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.
 It also includes a charge for postage and packaging of samples is incorporated into the unit cost for
each quality control test.

The cost of staff time is based on the approved rate for an AHVLA grade (F) in the Quality Assurance Unit:

Grade F Pay costs per chargeable hour

<sup>&</sup>lt;sup>16</sup> Regulation 2160/2003 Article 12 paragraph 2 and Regulation 882/2004 Article 33

<sup>&</sup>lt;sup>17</sup> The charges below relate to a single and multiple distribution of a QA sample for each organism listed. 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.

Total cost per chargeable hour	£66.84

## **Annex C**

Sector	Number of premises in GB under the general requirements of the NCP (flocks) <sup>1</sup>	Legislative requirements for official sampling	Number of premises eligible for official sampling under requirements of NCP (flocks) <sup>2</sup>	Number of premises sampled by AHVLA (ie industry has not sent up an ICB)	Average cost of official sampling visit pre review of Fees Regs <sup>3</sup>	Average cost of official sampling visit according to revised charges under option 1 (review of Fees Regs) <sup>3</sup>
Breeding chickens	319 (1374)	Official sampling twice during life of flock (one taken by operator under supervision)	319 (1374)	319 (1374)	£250.00	£284.93
Laying chickens	1524 (4099)	1 flock on all premises with more than 1000 birds	1349 (1349)	350 (350)	£134.00	£107.93
Broilers	1144 (335000)	1 flock on 10% of premises with more than 5000 birds	114 (114)	114 (114)	£134.00	£230.70
Fattening turkeys and breeding (by AHVLA)	2814 (3078)	1 flock on 10% premises with more than 500 birds	28	*	£134.00	£252.92
Breeding turkeys (by AHVLA)	249	1 flock on 10% premises with more than 250 parent breeding birds. All grandparent and great grandparent birds	36	*	£134.00	£252.92

## Population figures based on 2010 figures

- eligible for operator and official sampling of all poultry flocks on all premises plus measures imposed in event of detection of target serovar
   flocks eligible for official sampling under the requirements of each species specific EU Regulation
   Costs calculated using same average estimates of time spent on farm. 'Baseline fee' of £76 for pre-review of Fees Regs costs and revised admin fee plus travel costs to farm included in revised cost estimates – see calculations below.
- 4.\*AHVLA to confirm figures

#### **COST CALCULATIONS PER SECTOR**

#### **BREEDERS**:

#### Old charges

• average time on farm for sampling 1 flock = 3-6 hours (calculation done on 3 hours) = £174.00 plus baseline fee of £76.

Total = £250.00

#### **New charges**

- average travel time = 1 hour each way (2 hours total) = £94.56
- average time on farm for sampling 1 flock = 1.58 hours (calculation done on £23.64 per 30 min ) = £94.56
- Admin fee = £95.81 (caged)

#### Total = £284.93

#### **LAYERS**

#### Old charges

• average time on farm for sampling 1 flock = 1-2 hours (calculation done on 1 hour) = £58.00 plus baseline fee of £76.

Total = £134.00

#### **New charges**

#### No travel time charged

- average time on farm for sampling 1 flock = 1-2 hours (calculation done on £23.64 per 30 min x 2) = £47.28
- Admin fee = £60.65

<u>Total = £107.93</u> (reduction compared to 2010 costs is due to 29% decrease in admin fee which includes equipment costs plus no addition of travel time to farm and 14% reduction in half hourly rate for on farm time)

#### **BROILERS**

#### Old charges

• average time on farm for sampling 1 flock = 39 minutes (calculation done on 1 hour) = £58.00 plus baseline fee of £76.

Total = £134.00

### **New charges**

- average travel time = 1 hour each way (2 hours total) = £94.56
- average time on farm for sampling 1 flock = 1-2 hours (calculation done on £23.64 per 30 min x2) = £47.28
- Admin fee = £88.86
- Total = £230.70

#### **BREEDING AND FATTENING TURKEYS**

#### **Old charges**

• average time on farm for sampling 1 flock = 1-2 hours (calculation done on 1 hour) = £58.00 plus baseline fee of £76.

Total = £134.00

#### **New charges**

- average travel time = 1 hour each way (2 hours total) = £94.56
- average time on farm for sampling 1 flock = 1-2 hours (calculation done on £23.64 per 30 min x 3) = £70.92
- Admin fee = £87.44

Total = **£252.92** 

TO NOTE: - ON FARM TIME CHARGES INCLUDE TIME TO CHECK FARMER'S SAMPLING RECORDS TO ENSURE COMPLIANCE WITH NCP REQUIREMENT