Opinion: Final
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Official Controls Charges in Meat Premises: A Proposal for a New Discount System

Food Standards Agency

RPC rating: fit for purpose

The IA is now fit for purpose as a result of the Food Standard Agency's (FSA's) response to the RPC's initial review. As first submitted, the IA was not fit for purpose.

Description of proposal

The proposal would revise the system of discounting FSA charges to the meat industry for official controls. Under the current system, the Government supports the meat industry by not charging businesses the full cost of official controls. However, the FSA states that the current system lacks transparency, potentially distorts competition by charging significantly different amounts to similar sized businesses and provides very little incentive to use inspection resources more efficiently. The proposal attempts to address these issues by reforming the discounting system to reflect better the cost of official controls for individual businesses.

Impacts of proposal

The proposal will increase the overall value of the discount to industry, while ensuring that it is less costly to use and better targeted. The FSA estimates that this will provide a benefit to business of around £8 million (NPV) over the ten-year appraisal period (-£0.95 million EANCB).The proposal will also result in small time savings for business by making it easier to reconcile monthly invoices for official controls. The FSA estimates this will save 595 businesses two hours of time each month, for a total saving of around £20,000 each year.

The proposal will impose small one-off familiarisation costs as businesses familiarise themselves with the revised system. The FSA estimates this will take one hour of staff time per business for 1,156 businesses, at a total cost of around £19,000. The proposal also imposes some ongoing costs on business. In particular, the reforms will eliminate the discount for the cutting plants sector (which will be charged on a full cost basis). The FSA estimates that this will cost 807 businesses around £60,000 each year in total.

The RPC verifies the estimated equivalent annual net cost to business (EANCB) of -£0.89 million. In line with the Small Business, Enterprise and Employment Act this will not count against the business impact target. The measure is not legislative; it is an operational change under the FSA's regulatory function.

Quality of submission

As initially submitted, the IA included two issues that meant that the RPC did not consider it to be fit for purpose. Following the RPC's initial review, the Department submitted a revised IA that responded to the two points below.

1. The original submission did not provide sufficient evidence on how the EANCB figure was derived. The FSA has now provided a table with a breakdown of the elements of the EANCB, which is sufficient for the RPC to validate the EANCB.

2. The original submission did not adequately discuss the treatment of familiarisation costs. This issue has now been addressed, although the IA could have made it clear that the familiarisation costs associated with a change to fines and penalties are not scored for the business impact target under the proposed new framework.

In its initial review, the RPC highlighted a number of other issues that the IA would benefit from addressing. Some have been addressed. For instance, the IA now correctly analyses the change in the value of the discount pot in real terms. The FSA has also provided more evidence that the only benefits to business will be the increased level of discount and the small administrative savings.

The IA now provides further information as to how the proposal fits with pending EU regulation. The FSA does not anticipate that these regulations will further change the discount regime. The IA now also provides further clarification that, while the overall impact of options 2 and 3 are similar, the impact on individual businesses may be very different.

The IA would have benefitted from more fully addressing other points made in the initial review notice. In particular, it could have outlined whether any wider benefits would have resulted from the reforms (for instance, improvements in food safety) and analysed the potential competitive implications of the specific charging formula.

Other comments

The small and micro business assessment (SaMBA) shows that 136 small and micro businesses will be affected by the proposal. The analysis highlights that 57 percent of these businesses will be positively affected and 41 percent negatively affected. On balance, the proposals are beneficial to small and micro businesses. The SaMBA is sufficient.

Departmental assessment

Classification	Not a regulatory provision (fees and charges)
Equivalent annual net cost to business (EANCB)	-£0.9 million (not a regulatory provision)
Business net present value	£7.8 million
Societal net present value	-£0.1 million

RPC assessment

Classification	Not a regulatory provision (fees and charges)
EANCB – RPC validated[1]	-£0.9 million (not a regulatory provision)
Small and micro business assessment	Sufficient
RPC rating (of initial submission)	Not fit for purpose

Michael Gibbons CBE, Chairman

[1] For reporting purposes, the RPC validates EANCB figures to the nearest £100,000.