

<b>Title:</b> <b>Proposal to amend the frequency of certain official control inspections for on-farm dairy hygiene in England and Wales</b>  <b>Lead department or agency:</b> Food Standards Agency <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>
	<b>IA No:</b> FOOD0092
	<b>Date:</b> 01/07/2011
	<b>Stage:</b> Final
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Other
<b>Contact for enquiries:</b> John Cragg 020 7276 8371 <a href="mailto:john.cragg@foodstandards.gsi.gov.uk">john.cragg@foodstandards.gsi.gov.uk</a>	

## Summary: Intervention and Options

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

Food can pose a risk to human health if it is not produced, manufactured and handled hygienically. Consumers are not usually able to observe this, and it is difficult for food business operators credibly to inform consumers how far food safety risks have been minimised. Government intervention is necessary to address this. Farms producing milk are subject to official on-farm inspections usually carried out without prior warning to ensure compliance with hygiene regulations. The Government is committed to reducing burdens on farmers and the Agency's review of the risk basis for official inspection frequency will minimise the burden of official inspections on milk production holdings while maintaining consumer protection.

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

The policy objective is to ensure consistency in risk rating of milk production holdings by bringing risk-based official controls in England and Wales into line with official controls for other food establishments and in addition to take account of the audit results (hygiene aspects only) for farms that are members of the Assured Dairy Farm (ADF) scheme. The intended effect is to reduce the costs of inspection on farms by reducing the overall frequency of official inspections, focussing enforcement resources on high risk holdings without compromising consumer safety.

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

Three options have been considered:

Option 1 – Do Nothing – the current inspection arrangements remain in place

Option 2 – Delivery of existing controls through Local Authorities

Option 3 - Harmonising risk rating system in England and Wales, recognising Assured Farm Status when setting inspection frequencies.

Option 3 is the preferred option as it a consistent risk-based approach which recognises the expertise of third-party schemes, reducing the burden on business while maintaining consumer protection.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** 4/2014

**What is the basis for this review?** Please select. **If applicable, set sunset clause date:** Month/Year

**Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?**

Yes

**SELECT SIGNATORY Sign-off** For final proposal stage Impact Assessments:

***I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.***

Signed by the responsible Chair: \_\_\_\_\_

Date: \_\_\_\_\_

# Summary: Analysis and Evidence

# Policy Option 1

## Description:

Do nothing - the current inspection arrangements remain in place

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			

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

No incremental monetised costs associated with this policy option as this option will look to maintain the status quo

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

No incremental monetised costs associated with this policy option as this option will look to maintain the status quo

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			

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

No incremental monetised costs associated with this policy option as this option will look to maintain the status quo

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

No incremental monetised costs associated with this policy option as this option will look to maintain the status quo

### Key assumptions/sensitivities/risks

Discount rate (%)

No incremental monetised costs associated with this policy option as this option will look to maintain the status quo

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs:	Benefits:	Net:	Yes/No	IN/OUT

# Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?		England and Wales			
From what date will the policy be implemented?		N/A			
Which organisation(s) will enforce the policy?		Food Standards Agency			
What is the annual change in enforcement cost (£m)?					
Does enforcement comply with Hampton principles?		Yes			
Does implementation go beyond minimum EU requirements?		No			
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)		Traded:		Non-traded:	
Does the proposal have an impact on competition?		No			
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?		Costs:		Benefits:	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro N/A	< 20 N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

## Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
<b>Statutory equality duties<sup>1</sup></b> <a href="#">Statutory Equality Duties Impact Test guidance</a>	Yes/No	
<b>Economic impacts</b>		
Competition <a href="#">Competition Assessment Impact Test guidance</a>	Yes/No	
Small firms <a href="#">Small Firms Impact Test guidance</a>	Yes/No	
<b>Environmental impacts</b>		
Greenhouse gas assessment <a href="#">Greenhouse Gas Assessment Impact Test guidance</a>	Yes/No	
Wider environmental issues <a href="#">Wider Environmental Issues Impact Test guidance</a>	Yes/No	
<b>Social impacts</b>		
Health and well-being <a href="#">Health and Well-being Impact Test guidance</a>	Yes/No	
Human rights <a href="#">Human Rights Impact Test guidance</a>	Yes/No	
Justice system <a href="#">Justice Impact Test guidance</a>	Yes/No	
Rural proofing <a href="#">Rural Proofing Impact Test guidance</a>	Yes/No	
<b>Sustainable development</b> <a href="#">Sustainable Development Impact Test guidance</a>	Yes/No	

<sup>1</sup> Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

# Summary: Analysis and Evidence

# Policy Option 3

## Description:

Harmonising the risk-rating system in England and Wales, recognising Assured Farm Status when setting inspection frequencies

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: 11.84

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			0.08

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

Total cost of policy option: £81.5K (constant price). Total industry: £66.3K in one-off familiarisation costs. AHDH: £10.3K for amending farm records. FSA: £4.9k to update existing IT database

Over a 10-year period the total equivalent annual cost of familiarisation to business (farms) is approximately £7.7K

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

Non-monetised costs were not identified (see monetised costs above).

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	1.39	11.92

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

Total benefits of policy option: £13.90m (constant price). Total industry: £1.28m in reduced costs for farmers as they will not have to accompany inspectors as often around their farms. Taxpayers: £12.62m through reduced frequency of inspections on compliant farms.

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

Maximum of 5 lines

### Key assumptions/sensitivities/risks

Discount rate (%)

Cost per inspection figure based on 2011/12 estimates. Time taken for farmers (Industry) to familiarise themselves with proposal: 22 minutes. AHDH staff are allocated 3 minutes per record update. Equivalent Annual Net Costs (EANC) is applied to 'one-off' transition costs (familiarisation) in order to compare, on an equivalent basis, across policies spanning different time periods i.e. policies in excess of a one year time period. We assume the rate of follow-up inspections and the risk of non-compliance remains constant over time; potentially lowering the net benefit of the intended policy objective.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: 0.01	Benefits: 0.13	Net: -0.12	Yes	OUT

## Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England and Wales				
From what date will the policy be implemented?	01/07/2011				
Which organisation(s) will enforce the policy?	Food Standards Agency				
What is the annual change in enforcement cost (£m)?	-£1.26				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	No				
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)	<b>Traded:</b> N/A		<b>Non-traded:</b> N/A		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	<b>Costs:</b> N/A		<b>Benefits:</b> N/A		
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	<b>Micro</b> N/A	<b>&lt; 20</b> N/A	<b>Small</b> N/A	<b>Medium</b> N/A	<b>Large</b> N/A
Are any of these organisations exempt?	No	No	No	No	No

## Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
<b>Statutory equality duties</b> <sup>1</sup> <a href="#">Statutory Equality Duties Impact Test guidance</a>	Yes	23
<b>Economic impacts</b>		
Competition <a href="#">Competition Assessment Impact Test guidance</a>	Yes	23
Small firms <a href="#">Small Firms Impact Test guidance</a>	Yes	23
<b>Environmental impacts</b>		
Greenhouse gas assessment <a href="#">Greenhouse Gas Assessment Impact Test guidance</a>	No	
Wider environmental issues <a href="#">Wider Environmental Issues Impact Test guidance</a>	No	
<b>Social impacts</b>		
Health and well-being <a href="#">Health and Well-being Impact Test guidance</a>	Yes/No	Throughout
Human rights <a href="#">Human Rights Impact Test guidance</a>	No	
Justice system <a href="#">Justice Impact Test guidance</a>	No	
Rural proofing <a href="#">Rural Proofing Impact Test guidance</a>	No	
<b>Sustainable development</b> <a href="#">Sustainable Development Impact Test guidance</a>	Yes	23

<sup>1</sup> Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

## Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

### References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

No.	Legislation or publication
1	Previous consultation is at <a href="http://www.food.gov.uk/multimedia/pdfs/consultation/officialinspectdairysecteng.pdf">http://www.food.gov.uk/multimedia/pdfs/consultation/officialinspectdairysecteng.pdf</a>
2	Summary of responses to the previous consultation document is at <a href="http://www.food.gov.uk/multimedia/pdfs/consultationresponse/consultrespfarminsp.pdf">http://www.food.gov.uk/multimedia/pdfs/consultationresponse/consultrespfarminsp.pdf</a>
3	
4	

+ Add another row

### Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

#### Annual profile of monetised costs and benefits\* - (£m) constant prices

	Y <sub>0</sub>	Y <sub>1</sub>	Y <sub>2</sub>	Y <sub>3</sub>	Y <sub>4</sub>	Y <sub>5</sub>	Y <sub>6</sub>	Y <sub>7</sub>	Y <sub>8</sub>	Y <sub>9</sub>
<b>Transition costs</b>	£0.078	£0.003	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Annual recurring cost</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total annual costs</b>	£0.078	£0.003	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000
<b>Transition benefits</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Annual recurring benefits</b>	£1.069	£1.426	£1.426	£1.426	£1.426	£1.426	£1.426	£1.426	£1.426	£1.426
<b>Total annual benefits</b>	£1.069	£1.426	£1.426	£1.426	£1.426	£1.426	£1.426	£1.426	£1.426	£1.426

\* For non-monetised benefits please see summary pages and main evidence base section

## Evidence Base (for summary sheets)

### 1. Problem under consideration

- 1.1 Food can pose a risk to human health if it is not produced, manufactured and handled hygienically. Consumers are not usually able to observe this, and it is difficult for food business operators credibly to inform consumers how far food safety risks have been minimised. Government intervention is necessary to address this.
- 1.2 Milk production holdings are subject to official on-farm inspections usually carried out without prior warning to ensure compliance with hygiene regulations. The Government is committed to reducing burdens on farmers. The Agency's review of the risk basis for official inspection frequency will minimise the burden of official inspections on milk production holdings while maintaining consumer protection.
- 1.3 In a Public Consultation earlier in 2010<sup>3</sup> the Food Standards Agency (FSA) explored the recognition of Assured Farm Status in setting inspection frequency for dairy farms in England and Wales. These proposals build on the evidence gathered during that Public Consultation.

### 2. Rationale for intervention

- 2.1 The FSA is the Central Competent Authority in the UK for Official Controls in milk production holdings, the delivery of these controls is currently undertaken by 34 different competent authorities. In England and Wales these are carried out by Animal Health Dairy Hygiene (AHDH), an executive agency of the Department for Environment, Food and Rural Affairs (Defra), in Scotland by 32 individual local authorities and in Northern Ireland by the Department of Agriculture and Rural Development Quality Assurance Branch (DARD-QAB).
- 2.2 Delivery in England and Wales is undertaken against a Service Level Agreement (SLA) between the FSA and AHDH. A similar but separate agreement exists in Northern Ireland, and in Scotland delivery is against the requirements of the Food Law Code of Practice (Scotland).
- 2.3 The Agency recently carried out a wide ranging internal review of official controls for on-farm dairy hygiene across the UK. The review findings were reported to FSA directors in October of this year.
- 2.4 The key findings were that:
  - Over the years different risk rating regimes have developed within the UK to drive the frequency of routine official hygiene inspection on dairy farms. In Scotland a minimum 2 year inspection frequency is used for all dairy farms, whereas in England, Wales and Northern Ireland a frequency of between 6 months and 2 years is followed dependent upon the risk rating for the dairy holding.

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<sup>3</sup> <http://www.food.gov.uk/consultations/consulteng/2010/officialinspectiondairysectoreng>

- Most dairy farms in England, Wales and Scotland, and approximately 7% in Northern Ireland are assessed on dairy hygiene issues at least every 18 months by ADF.
  - Other information is available, particularly test results from milk purchasers, that could provide additional assurance and be used to inform risk based ad hoc inspections and follow up visits in addition to the routine programmed hygiene inspections.
  - Category 1 (highest risk category) farms are currently inspected every 6 months with follow up visits where non-conformance is detected. This mirrors the inspection frequency for those food premises generally considered to be the highest risk across the food chain and selling food direct to the final consumer.
- 2.5 The recommendation arising from the findings of the review was that risk rating schemes across the UK should be harmonised and that all dairy farms across the UK should be subject to a routine official inspection at a frequency of a minimum of 24 months. In addition, where a dairy farm is a member of the ADF scheme, the official control inspection frequency should be extended to 10 years.

### 3. **Policy objectives and Intended Effects**

- 3.1 In England, Wales and Scotland 11,680 holdings are audited every 18 months against an independent Assured Dairy Farm Scheme – or Red Tractor Scheme. In England and Wales a Public Consultation by the FSA closed in June 2010 which looked at recognising this scheme in setting the frequency of Official Controls. There are a small number of Assured Dairy Holdings accredited in Northern Ireland (175 of 3,565).
- 3.2 The policy objective is to introduce consistency in risk rating of milk production holdings by bringing official controls in England and Wales in line with official controls for other food businesses and in addition to take account of the audit results (hygiene aspects only) of farms that have Assured Dairy Farm (ADF) status. The intended effect is to reduce the costs of inspection on farms by reducing the overall frequency of official inspections without compromising consumer safety, focussing enforcement resources on least compliant holdings.

### 4. **Background**

- 4.1 The EU food hygiene regulations (EC 852/2004, 853/2004 and 854/2004) set out food hygiene requirements with which food businesses (including those undertaking primary production) must comply. EC 854/2004 sets out the requirements for official controls on products of animal origin. The EU Regulation on official feed and food controls (EC 882/2004) requires that official controls are carried out without prior warning. These EC regulations are implemented in the UK by the following statutory instruments - The Food Hygiene (England) Regulations 2006, The Food Hygiene (Wales) Regulations 2006, The Food Hygiene Regulations (Northern Ireland) 2006 and The Food Hygiene Regulations (Scotland) 2006.



- 4.2 Under current arrangements, milk production holdings in England and Wales are subject to official inspections by AHDH on behalf of the FSA. The majority (94% in England and Wales and 98% in Scotland) of these holdings are also audited for compliance with farm assurance scheme standards by ADF.
- 4.3 AHDH inspections are carried out in accordance with terms and procedures set out in a Service Level Agreement (SLA) with the FSA, this currently places the AHDH delivery emphasis on large inspection volumes, the SLA places insufficient emphasis on improving hygiene compliance at under-performing dairy farms.
- 4.4 The EU regulations on official food controls recognise the use of relevant third party quality assurance schemes in setting the frequency of Official Controls. In the June 2010 Public Consultation to assess whether this approach might be used in the dairy sector we noted the findings of an independent study to assess and compare the approaches of AHDH (official) inspections and ADF (assurance scheme) audits to monitoring and verifying compliance with food hygiene legislation at milk production holdings in England and Wales. A number of aspects were looked at in the study, but significantly, an assessment of the underlying risk rating scheme was outside of its remit.
- 4.5 The following aspects were included in the study: assessor training, inspection focus and approach, risk establishment, reporting of outcomes, addressing contraventions and auditing. It was found that both organisations had similar training requirements. However, a number of differences were found:
- *AHDH inspections are more practical while ADF audits are broader* – this reflects that AHDH use an inspection based approach focusing on structure and equipment and ADF audits focus more on controls being applied with an inspection element. In this relatively low risk type of establishment a mix of audit and inspection with effective follow-up action is appropriate;
  - *AHDH provide advice to farmers whereas ADF do not* – ADF needs to maintain independence as an assurance body but advice on hygiene issues will still be given when official inspections are made. Dairy farmer trade associations will also give advice;
  - *AHDH inspections are generally less frequent but risk based, whereas ADF audits are routine unless there is evidence of non-conformance* – this consultation sets out the reasons why the risk basis underpinning the current official inspection regime is not considered to be appropriate. For this type of lower risk food production activity routine ADF audits supplemented by AHDH routine official inspection and ad-hoc official inspection for non-conforming dairy farms are appropriate; and
  - *AHDH visits are unannounced and include milking time; non-conformity could lead to prosecution by AHDH, whereas ADF can halt milk collection. In practice ADF visits are announced and audits require non-conformities to be rectified within 28 days* – in the year 2009/10 21% of AHDH inspections were at milking time. The proposed fall in overall AHDH inspections will reduce the number of milking time inspections but assurance from the large number of ADF audits will add to the evidence available on conformance, and offset any adverse effect on official controls. Under the current and future arrangements

the halting of milk collection following suspension of ADF membership probably provides a stronger driver for compliance than the threat of prosecution.

- 4.6 Further analysis was then carried out to assess the similarities and differences between the outcome of ADF and AHDH inspections in terms of the risk category applied to farms following audit/inspection. The aim of this was to inform the feasibility and extent to which the results of farm assurance (ADF) audits could be taken into account when deciding the frequency of official controls (AHDH inspections). This was based on the current risk rating scheme in place for holdings in England and Wales.
- 4.7 Data on inspections/audits were drawn together from ADF and AHDH databases, underwent a matching exercise and were analysed. The analysis involved matching individual farm assessments across both schemes and comparing the outcome of the most recent visit from each scheme.
- 4.8 The main conclusions of the analysis:
- There appeared to be a general correlation between the risk assessments of the two schemes (i.e. more farms assessed as low risk by ADF were assessed as low risk by AHDH than in other ADF categories; more farms assessed as high risk by ADF were assessed as high risk by AHDH than in other ADF categories), although the extent of alignment differs across AHDH risk categories.
  - Where holdings are already in the AHDH low risk category, ADF risk assessments appear to be as good an indicator of future compliance as the previous AHDH risk categorisation.
  - Where holdings are in the AHDH high risk category, ADF audits did not appear to be a good indicator of future compliance.
  - Evidence for the use of ADF audits was less clear for the AHDH medium risk category.
- 4.9 Evidence from the analysis provided a good case for AHDH to take into account the outcome of ADF audits when assessing the appropriate inspection interval for AHDH lower risk farms. The analysis appeared to find that for AHDH high risk farms, ADF assessments were not a good indicator of future compliance. However an assessment of the underpinning risk rating scheme was outside of the scope of the study and recent review work by the Agency provides an improved insight.
- 4.10 In England and Wales the guidance on risk rating dairy farms post inspection is contained within the Operating Procedures for authorised officers where the inspection protocol identifies “critical contraventions” as “ones which pose a direct risk to the milk”. These nominated “critical contraventions” were driving higher risk scores at official inspection when in fact, relative to risk in the wider food chain and considering critical controls further down the milk processing chain, these contraventions should not have been regarded as critical.
- 4.11 The recent Agency review of official controls indicates that the current system with three separate risk rating systems in place for dairy farms across the UK is inconsistent. Whilst we accept that the holdings that retail raw drinking milk should be treated as high risk, the findings of the review suggest that for the remainder there is a significant anomaly in the manner of risk rating dairy farms.

4.12 An effective risk-rating system for official inspection will take account of the type of product being handled, the processes a food undergoes before consumption and the effectiveness of an individual food business operator's controls to deal with hygiene hazards. If we contrast the types of establishment that would fall into a 6 month official inspection frequency under the current dairy farm risk rating regime and the risk rating regime used by local authorities for all other food establishments we see the following:

- **Category 1 dairy farm (inspection frequency 6 months)<sup>4</sup>** – a dairy farmer, not subject to HACCP-based requirements, with weak/variable hygiene compliance producing raw milk that will be tested by the purchaser and/or processor and will be pasteurised (or subject to another process) to ensure that bacterial loading is at an acceptable level for human consumption.
- **Category A general food establishment (inspection frequency 6 months)** – a food business operator that is subject to the requirement to have a functioning HACCP-based food safety management system in place, with weak/variable hygiene compliance, in a business that may be preparing and processing raw foods with a high bacterial loading in close proximity to high risk<sup>5</sup> cooked foods for sale to the final consumer that may not be subject to any further processing or testing.

4.13 It is clear from the above examples that when compared to the inspection regime for general food establishments the risk from on-farm dairy production is overstated. The proposals therefore seek to redress this inconsistency and introduce a risk-based inspection regime that references other risk-based inspection judgements across the wider food chain, taking assurance from other reliable sources.

4.14 The Agency is of the opinion that the categorisation of dairy farms into four risk bands that are not referenced to other risk-based official control regimes across the food chain cannot be supported in terms of risk to public health; dairy farms should be subject to an inspection frequency based on all available evidence.

## 5. Options considered during consultation:

- Option 1 - Do Nothing – the current inspection arrangements remain unchanged.
- Option 2 - Delivery of existing controls through Local Authorities (LAs).
- Option 3 – Harmonising the UK risk rating system, recognising Assured Farm Status when setting inspection frequencies. This is the preferred option.

### Consideration of Option 2

5.1. Adding in excess of 11,000 milk production holdings into the official inspection programmes of more than 350 LAs would make it difficult to ensure that inspection resource across England and Wales are focussed on the worst businesses and is likely to exacerbate inspection inconsistency rather than reduce it in the sector. Additionally, in a time of reducing local authority enforcement resource the effect of

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<sup>4</sup> Not including those dairy farms producing raw milk for consumption which are outside this proposal

<sup>5</sup> High risk food – will readily support the growth of bacteria harmful to humans

the additional inspection loading on LAs would not be uniform and particularly in England where those LAs in the west of the country, with higher a concentration of dairy farms, are likely to see the highest level of additional enforcement responsibility and workload.

- 5.2. The transfer of responsibility to LAs would also generate additional footfall on farms and another inspectorate for the farmer to deal with – this is in contrast to the Defra agency already delivering the controls under Option 3, where the dairy hygiene inspections will be subject to a strong Defra initiative to ensure that as many of their inspections as possible are combined to reduce inspector footfall on farm.
- 5.3. For these reasons Option 2 is not the preferred option.

## 6. **Description of preferred option:**

### Option 3 – Harmonising the UK risk rating system, recognising Assured Farm Status when setting inspection frequencies

- 6.1 This is the FSA's preferred option. Under this option a consistent and proportionate risk-rating scheme will be introduced in England and Wales from 1 July 2011 for Official Controls for Dairy Holdings. This will include a single risk assessment scheme which will make use of further controls for milk and dairy production which already exists further down the milk production chain through analysis of samples for bacterial contamination, subsequent pasteurisation and other processing.
- 6.2 Under this option, routine inspections will be reduced to a frequency of once every two years and once every 10 years for ADF accredited holdings where there is additional assurance from ADF audits. This will reduce official inspections from around 11,335 per annum across England and Wales to circa 3,000 per annum.
- 6.3 The 10 years' inspection frequency would apply to holdings supplying cows' milk to milk purchasers who are members of ADF which represents around 94% of all cows' milk producers, Holdings processing their own milk, or farms supplying milk to purchasers who are not members of ADF, would be aligned to a two year inspection frequency as is currently the case in Scotland. Inspections carried out at holdings producing raw drinking milk for human consumption will be on a six-monthly basis.
- 6.4 All available evidence will be used to inform the inspection of the least compliant individual holdings and contribute to a more intelligence led enforcement framework. This will include sample results from industry, notification of new holdings, notifications from other regulators relating to non-conforming operations, notifications from ADF where their audits have identified significant contraventions, complaints and outbreak information.
- 6.5 The current number of inspections does not show a relationship to improving compliance, with the profile of holdings in each risk category in England and Wales remaining relatively stable year on year. The level of formal enforcement activity is not proportionate to the level of inspections and the proposed system will focus attention and firmer action at non-conforming holdings. Enforcement action will be taken against persistent offenders.

- 6.6 Routine sampling undertaken at holdings that retail raw cows' drinking milk will continue to be prioritised and other sampling activity across the UK will focus on high-risk holdings. This will be in support of other enforcement activity by AHDH to improve compliance in these premises.
- 6.7 It is proposed that the risk assessment used in England and Wales aligns with the scheme within the Food Law Code of Practice (Scotland) which is used to risk assess food establishments under local authority control. This results in a routine inspection frequency of around two years before any assurance scheme membership is taken into account.

**Table 1: Current and proposed inspection frequencies for ADF Holdings in England, and Wales**

<b>Current frequency of Official Control Inspections</b>	<b>Proposed frequency of Official Control Inspections</b>	<b>Prioritised Inspections if ADF find-non-conformances</b>
Every 19 – 24 months	At minimum of every 2 years and at least every 10 years for ADF Members	Farms where ADF have identified 4 <sup>6</sup> or more relevant non-conformances at the most recent audit will be prioritised for inspection to enable AHDH to determine whether more formal enforcement is required to improve compliance. Evidence suggests that 15% of ADF inspections receive a relevant non-conformance (11% of current Category 4 farms in England and Wales).
Every 13 – 18 months	At minimum of every 2 years and at least every 10 years for ADF Members	Farms where ADF have identified 4 or more relevant non-conformances at the most recent audit will be prioritised for inspection to enable AHDH to determine whether more formal enforcement is required to improve compliance. Evidence suggests that 10% of ADF inspections will have 4 or more relevant non-conformances (7% of current Category 3 farms in England and Wales).
Every 6 – 12 months	At minimum of every 2 years and at least every 10 years for ADF Members	Farms where ADF have identified 4 or more relevant non-conformances at the most recent audit will be prioritised for inspection to enable AHDH to determine whether more formal enforcement is required to improve compliance. It has been assumed for this purpose that 10% ADF inspections of category 2 farms will have 4 or more relevant non-conformances (7% of current Category 2 farms in England and Wales).
Every 6 months	At minimum of every 2 years and at least every 10 years for ADF Members	As part of the transitional arrangements, all holdings in the highest risk Category in England and Wales will be inspected irrespective of ADF-membership. Following this inspection either the holding will be deemed broadly compliant and will then fall into either a 10 year or a 2 year inspection frequency depending on ADF-membership, or appropriate follow up action will be taken to ensure improved compliance.

<sup>6</sup> This is subject to change depending on emerging statistical evidence as the proposals are implemented

## 7. Cost and benefits of options

### Costs

#### Option 1 – Do nothing. - the current inspection arrangements remain in place

There are no incremental costs. This option is the baseline for comparison.

#### Option 3 – Harmonising the UK risk rating system, incorporating an accreditation scheme

### Cost to AHDH

#### *Record Keeping*

- 7.1 There will be a cost to AHDH of adapting their systems to collaborate and utilise the audits carried out by ADF. It has been assumed that each farm record on AHDH database will require updating which is expected to take 3 minutes per record.
- 7.2 There are 11,182 farms in England and Wales, and it is believed that it will take 3 minutes for a public sector employee at a wage rate of £18.37<sup>7</sup> to amend each record resulting in a cost per farm record of approximately £0.92. To quantify the overall one off cost of amending farm records we multiply the cost per farm record by the number of farms affected by the regulation. This results in a one off cost in England and Wales to AHDH of approximately £10,270.

**Table 2 Option 3 – One-off cost to Farmers in the England and Wales**

Cost to AHDH	England & Wales
Number of Farms	11,182
Reading Time (hours)	0.05
Public Sector Hourly Rate	£18.37
Cost per Farm Record	£0.92
<b>Total Cost</b>	<b>£10,270</b>

Note: Costs are estimated by multiplying wage rates uplifted by 30% to account for overheads. This means that the wage rates reported in the text are approximate to 2 d.p. and when grossed may result in a rounding error.

### **Equivalent Annual Costs (EAC)**

- 7.3 In order for 'one-off' transition costs to be compared on an equivalent basis across policies spanning different time periods, it is necessary to 'equivalently annualise' costs using a standard formula<sup>8</sup>. Under Standard HMT Green book guidance a discount rate of 3.5% is used.

<sup>7</sup> Wage rate obtained from The Annual Survey of Household Earnings (2010) (<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15313>). Median hourly wage of a 'Public Service And Other Associate Professionals' is used (£18.37 including 30% overheads)

<sup>8</sup> The equivalent annual cost formula is as follows:  $EAC = PVNCB/a_{tr}$ , Where  $a_{tr}$  is the annuity rate given by:

7.4 A total one-off cost to farmers affected by this proposal is an estimated £10,270. This yields an EAC of approximately £1,193 over 10 years for England and Wales. Northern Ireland will be carrying out an independent assessment.

## **Cost to FSA**

### *One-off IT Cost*

7.5 The FSA currently hosts and runs a dedicated server in Aviation House which is used for the storing of Dairy Farm related information that includes data on inspection of dairy farms undertaken by Animal Health Dairy Hygiene on behalf of the FSA. The program was developed by the former Dairy Hygiene Branch, and additional costing may be required for IT to update current system to ensure the system is fit for purpose.

7.6 The FSA has estimated a total one-off cost of £4,930 over two years for updating the current IT system in-house (see table 3). It is envisaged that in the first year an in-house IT programmer (HEO) at a wage rate of £21.40<sup>9</sup> would be required to spend 12 days (86 hours) updating the system at a cost of £1,849. In year 2, further development work would be required, where it is assumed that an HEO would spend approximately 20 days (144 hours) carrying out additional maintenance and technical support. However, these estimates are predicated on the assumption that the project would be carried out in-house and does not take account of outsourcing the options.

**Table 3 – IT costs to the Agency**

Cost to FSA	England & Wales			Average Annual Cost
	Yr 0	Yr 1	Total	
Update Current AHDH Database (hours)	86	144	230	115
Public Sector Hourly Rate (HEO)	£21.40	£21.40	£21.40	£21.40
<b>Total Cost</b>	<b>£1,849</b>	<b>£3,081</b>	<b>£4,930</b>	<b>£2,465</b>

Note: Costs are estimated by multiplying wage rates uplifted by 30% to account for overheads. This means that the wage rates reported in the text are approximate to 2 d.p. and when grossed may result in a rounding error.

$$a_{t,r} = \sum_{j=0}^{t-1} \prod_{i=0}^j \left( \frac{1}{1+r_i} \right)$$

PVNCB is the present value of costs, r is the social discount rate and t is the time period over which the policy is being appraised.

<sup>9</sup> Wage rate obtained from The Annual Survey of Household Earnings (2010) (<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15313>). Median hourly wage of a 'Public Service And Other Associate Professionals' is used (£21.40 including 30% overheads)

## Equivalent Annual Net Costs (EANC)

- 7.7 In order for 'one-off' transition costs to be compared on an equivalent basis across policies spanning different time periods, it is necessary to 'equivalently annualise' costs using a standard formula<sup>10</sup>. Under Standard HMT Green book guidance a discount rate of 3.5% is used.
- 7.8 A total one-off cost to the FSA affected by this proposal is an estimated at £4930. This yields an EANC of approximately £573 over 10 years for England and Wales.

## Cost to Farmer

### *Familiarisation Costs*

- 7.9 There will be a reading and familiarisation cost to farmers. It is estimated that it will take between 15 and 30 minutes to familiarise themselves with the change. Taking the midpoint this equates approximately to a total of 22 minutes for familiarising. There are currently 11,182 dairy farms in England and Wales that would be directly affected by the proposal.
- 7.10 To quantify the one-off familiarisation cost to industry we calculate the familiarisation cost per farm by multiplying the hourly wage rate of a manager of a farm of £15.81<sup>11</sup> by the 22 minutes taken to understand the new inspection arrangements, resulting in a familiarisation cost per business of £5.93. To quantify the overall one-off familiarisation cost to farmers we multiply the familiarisation cost per farm by the number of farms affected by the measure. This results in a one-off familiarisation cost in England and Wales to farms of approximately £66,287. Table 4 displays the familiarisation cost to farmers.

**Table 4 Option 3 - Familiarisation cost to Farmers in the England and Wales**

Cost to Farmers	England & Wales
Number of farms	11,182
Reading Time (hours)	0.38
Farm Manager Hourly Rate	£15.81
Cost per Farm	£5.93
<b>Familiarisation Cost</b>	<b>£66,287</b>

Note: Costs are estimated by multiplying wage rates uplifted by 30% to account for overheads. This means that the wage rates reported in the text are approximate to 2 d.p. and when grossed may result in a rounding error.

<sup>10</sup>The equivalent annual cost formula is as follows:  $EANCB = PVNCB/a_{t,r}$ , Where  $a_{t,r}$  is the annuity rate given by:

$$a_{t,r} = \sum_{j=0}^{t-1} \prod_{i=0}^j \left( \frac{1}{1+r_i} \right)$$

PVNCB is the present value of costs, r is the social discount rate and t is the time period over which the policy is being appraised.

<sup>11</sup> Wage rate obtained from The Annual Survey of Household Earnings (2010)

(<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15313>). Median hourly wage of a 'Farm Manager' is used (£15.81 including 30% overheads)



## Equivalent Annual Net Costs (EANC)

7.11 In order for 'one-off' transition costs to be compared on an equivalent basis across policies spanning different time periods, it is necessary to 'equivalently annualise' costs using a standard formula<sup>12</sup>. Under Standard HMT Green book guidance a discount rate of 3.5% is used.

7.12 A total one-off cost to farmers affected by this proposal is an estimated £66,287. This yields an EANC of approximately £7,701 over 10 years for England and Wales.

7.13 The total one-off cost of option 3 is £81,487 which is comprised of £10,270 in one-off costs for AHDH, £4930 for the Agency and £66,287 for farmers.

## Total Costs

7.14 The total cost associated with preferred policy Option 3 is estimated at £81,487 over 10 years; at an annual average cost of £8,149. Once these costs are discounted at a rate of 3.5% over 10 years we obtain a present value total cost of £81,383. Total costs of option 3 are presented in table 5.

**Table 5 – Total Cost of Policy Option 3**

Year	AHDH - Record Keeping	FSA - IT Costs	Farmers - Familiarisation	Total Cost
0	£10,270	£1,849	£66,287	<b>£78,406</b>
1	£0	£3,081	£0	<b>£3,081</b>
2	£0	£0	£0	<b>£0</b>
3	£0	£0	£0	<b>£0</b>
4	£0	£0	£0	<b>£0</b>
5	£0	£0	£0	<b>£0</b>
6	£0	£0	£0	<b>£0</b>
7	£0	£0	£0	<b>£0</b>
8	£0	£0	£0	<b>£0</b>
9	£0	£0	£0	<b>£0</b>
<b>Total Cost</b>	£10,270	£4,930	£66,287	<b>£81,487</b>
<b>Annual Average</b>	£1,027	£493	£6,629	<b>£8,149</b>
<b>Present Value</b>	£10,270	£4,826	£66,287	<b>£81,383</b>

## Benefits

Option 1 – Do nothing. - the current inspection arrangements remain in place

7.15 There are no incremental benefits. This option is the baseline for comparison.

<sup>12</sup>The equivalent annual cost formula is as follows:  $EANCB = PVNCB/a_{tr}$ , Where  $a_{tr}$  is the annuity rate given by:

$$a_{t,r} = \sum_{j=0}^{t-1} \prod_{i=0}^j \left( \frac{1}{1+r_i} \right)$$

PVNCB is the present value of costs, r is the social discount rate and t is the time period over which the policy is being appraised.

## Option 3 – Harmonising the UK risk rating system, incorporating an accreditation scheme

### Government savings

7.16 For the first year, during implementation of the scheme, it is envisaged that planned inspections will commence for nine months of the year, where the number of inspections will be reduced from 8,501 to 2,250. This will reduce the total cost of inspections for the Agency from £1,319,950 to £349,358, a potential cost saving of £970,593.

7.17 Thereafter, for subsequent years we estimate that the number of inspections being carried out will be reduced from 11,335 to 3,000 per year. The reduction in the number of inspections results in the total cost of inspections falling from £1,759,934 to £465,810, a saving of £1,294,124 per year.

**Table 6: Option 3 - Annual Savings to taxpayer and FSA**

Benefits to FSA / Taxpayer	England & Wales	
	Year 0 (9 months)	Years 1 - 9
Cost per inspection	£155.27	£155.27
Current number inspections	8,501	11,335
<b>Current cost of inspections</b>	<b>£1,319,950</b>	<b>£1,759,934</b>
Proposed number of inspections	2,250	3,000
<b>Estimated cost of inspections</b>	<b>£349,358</b>	<b>£465,810</b>
<b>Estimated savings per year</b>	<b>£970,593</b>	<b>£1,294,124</b>
<b>Percentage savings per year</b>	<b>74%</b>	<b>74%</b>

Note: Costs are estimated by multiplying wage rates uplifted by 30% to account for overheads. This means that the wage rates reported in the text are approximate to 2 d.p. and when grossed may result in a rounding error.

### Benefits to Farmers

7.18 The benefits for farmers are the savings from not escorting inspectors around their farms. For the first year, during implementation of the scheme, it is envisaged that planned inspections will commence for nine months of the year, where the number of inspections will be reduced from 8,501 to 2,250 inspections. This will reduce the total cost of inspections for farmers from £134,384 to £35,568, a potential cost saving of £98,816.

7.19 Thereafter, for subsequent years we estimate that the number of inspections being carried out will be reduced from 11,335 to 3,000 per year. The reduction in the number of inspections results in the total cost to farms falling from £179,178 to £47,424, a saving of £131,754 per year. The table below details how the benefits to farmers have been calculated.

**Table 7: Option 3 - Annual Savings to Farmers**

Benefit to Farmer	England & Wales	
	Year 0 (9 months)	Years 1 - 9
Cost per inspection	£15.81	£15.81
Current number inspections	8,501	11,335
<b>Current cost of inspections</b>	<b>£134,384</b>	<b>£179,178</b>
Proposed number of inspections	2,250	3,000
<b>Estimated cost of inspections</b>	<b>£35,568</b>	<b>£47,424</b>
<b>Estimated savings per year</b>	<b>£98,816</b>	<b>£131,754</b>
<b>Percentage savings per year</b>	<b>74%</b>	<b>74%</b>

Note: Costs are estimated by multiplying wage rates uplifted by 30% to account for overheads. This means that the wage rates reported in the text are approximate to 2 d.p. and when grossed may result in a rounding error.

### Total Benefits

7.20 The total benefit associated with preferred policy Option 3 equates to £13,902,312 over a 10 year period compared to the 'do nothing' baseline, with an average annual benefit of £1,390,231 which is comprised of £1,261,771 annual benefit for taxpayers and £128,461 annual benefit for farmers at constant prices. Once the benefits are discounted at a rate of 3.5%<sup>13</sup> they give a total present value benefit of £11,917,042. Total benefits of option 3 are presented in table 8.

**Table 8 – Total benefit of Policy Option 3**

Year	Farmers (Savings)	Taxpayers/ FSA (Savings)	Total
0	£98,816	£970,593	£1,069,409
1	£131,754	£1,294,124	£1,425,878
2	£131,754	£1,294,124	£1,425,878
3	£131,754	£1,294,124	£1,425,878
4	£131,754	£1,294,124	£1,425,878
5	£131,754	£1,294,124	£1,425,878
6	£131,754	£1,294,124	£1,425,878
7	£131,754	£1,294,124	£1,425,878
8	£131,754	£1,294,124	£1,425,878
9	£131,754	£1,294,124	£1,425,878
<b>Total Benefit</b>	<b>£1,284,606</b>	<b>£12,617,706</b>	<b>£13,902,312</b>
<b>Annual Average</b>	<b>£128,461</b>	<b>£1,261,771</b>	<b>£1,390,231</b>
<b>Present Value</b>	<b>£1,101,162</b>	<b>£10,815,880</b>	<b>£11,917,042</b>

<sup>13</sup> Under Standard HMT Green Book guidance a discount rate of 3.5% is used ([http://www.hm-treasury.gov.uk/data\\_greenbook\\_index.htm](http://www.hm-treasury.gov.uk/data_greenbook_index.htm) )

### Total net benefits under option 3

7.21 Total benefits outweigh the total costs of preferred policy Option 3 generating a net positive benefit of £13,820,824. Once discounted at a rate of 3.5% this gives a net present value of £11,835,659. Table 9 below displays the net benefit of the preferred option.

**Table 9 – Total net benefit of Policy Option 3**

Year	Net Benefit
0	£991,003
1	£1,422,797
2	£1,425,878
3	£1,425,878
4	£1,425,878
5	£1,425,878
6	£1,425,878
7	£1,425,878
8	£1,425,878
9	£1,425,878
<b>Total Net Benefit</b>	<b>£13,820,824</b>
<b>Annual Average</b>	<b>£1,382,082</b>
<b>Net Present Value</b>	<b>£11,835,659</b>

### 8. Risks and assumptions

8.1 The main risk to any change in the delivery of Official Controls is that the new system will not afford at least the same level of protection to consumers as that being replaced. There are several manageable risks to the proposals which will be addressed during implementation to ensure that public protection is maintained and that resources are effectively directed towards the worst-performing holdings.

8.2 Measures will need to be in place to ensure that there is good co-operation between the FSA, AHDH, ADF and the dairy industry. FSA will lead on the development of these arrangements so that they are in place to support the proposed changes. These measures will include:

- A written memorandum of understanding between FSA and ADF setting out how the two organisations, and AHDH, will work together and share information. This will also need to identify the level of non-conformance that will prompt ad-hoc intervention by AHDH in addition to routine inspection.
- FSA/AHDH representation to the ADF Technical Advisory Committee to enable exchange of information on conduct of audits/inspections, improve awareness where standards do not match legislative requirements and resolve differences where there are matters relating to interpretation of those requirements.
- Improved links with first purchasers of raw milk to ensure that adverse sampling results are reported fully and promptly to the appropriate competent authority

with any necessary supplementary information. The aim is to improve the effectiveness of existing requirements and reporting lines – it would not introduce additional testing requirements.

- Refresher training for Inspectors where necessary to ensure they are fully competent to undertake delivery of the new scheme.
- Establishing links with the RPA and their equivalents in Wales to receive notification of any adverse findings of dairy hygiene related non-conformance when their inspectors carry out on-farm cross cutting inspections.

### 8.3 Other relevant controls are:

- Routine milk samples are collected by raw cows' milk purchasers (either daily or every other day depending on individual farm collection arrangements) for microbiological standards, somatic cell counts and antibiotic residues. Interpretation of test results is available to the purchaser the following day.
- Additional layers and increased levels of food safety are built into the milk processing chain and applied to all incoming bulk deliveries of raw milk to the purchaser. All deliveries undergo additional controls either by a heat treatment process before being released onto the market, or if required for further processing it will undergo further additional treatment and checks to ensure the product is safe before it is placed on the market.
- The proposed changes will give Inspectors better tools to detect and deal with the worst performing holdings and increase the number of premises which comply with food hygiene legislation.
- The introduction of RANs will make available to enforcement officers an additional enforcement tool to restrict or prevent the use of a process, piece of equipment or milk production holding.

8.4 For the purposes of the impact assessment we have assumed that the rate of follow-up inspections and the risk of non-conformance remains constant over time; potentially lowering the net benefit of the intended policy objective.

## 9 Wider impacts

### Summary and preferred option with description of implementation plan

9.1 Option 3, the FSA's preferred option, will result in a fall in the planned annual inspections of holdings in England and Wales from 11,335 to 3,000 with around 1,047 of those flowing from follow-up enforcement action and intelligence-led inspections; this will result in a potential total annual average saving of £1.39m. Resources will be focused on those holdings which have been identified, through a variety of reporting mechanisms, as higher risk and drive effective enforcement action against these holdings. The proposals will underpin an enforcement regime which is focussed on driving up standards across the sector and is flexible enough to adapt to future priorities without compromising consumer safety.

- 9.2 This proposal is in line with requirements under EU and domestic legislation and aligns the UK with enforcement regimes carried out in other Member States.
- 9.3 The recommended option aligns with wider Government initiatives to reduce the burden on business by sharing information, reducing the impact of farm visits and streamlining and targeting enforcement activity on the basis of risk, including the joint On-Farm Inspections Steering Group and the industry-led Task Force on Farming Regulation. Details can be seen at the following link <http://engage.defra.gov.uk/farm-regulation/>

## 10 Consultation

10.1 The FSA undertook a period of consultation early 2010 and again in spring 2011 and meetings with leading members of the dairy industry and representatives of dairy farmers. This included National Milk Laboratories, Dairy UK, Milk Link Limited, Arla Foods UK, Robert Wiseman Dairies PLC, Dairy Crest Group PLC and the NFU. Views received were positive regarding these changes. Consumer groups have also been approached for their views, again returning positive views. The agency received nine responses to the consultation proposals supporting the proposal in general but seeking clarity on aspects of the controls, after consideration of the responses amendments were made to farms supplying raw milk for cheese making and the review period was shortened.

10.2 Please follow this link to view the full Consultation document [here](#)

10.3 Please follow this link to view the full Summary of Responses document [here](#).

## 11 Administrative Burden Costs

11.1 There are no additional administrative burden costs for the preferred option. However, Option 3 does reduce current administrative burdens (see Simplification section below).

## 12 Simplification

12.1 By recognising relevant quality assurance programmes and reducing the frequency of official inspections accordingly, the administrative burden of inspection for farmers will be reduced. This will save time and money for farmers without compromising food safety or having an adverse impact on public health. Figures for administrative burden reduction have been calculated using Standard Cost Model Methodology<sup>14 15</sup>. Figures are for England only, therefore the number of English farms is a percentage derived from AHDH<sup>16</sup>.

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<sup>14</sup> All consistent with SCM except that 2009 wage rates are used in anticipation of revised admin burden targets and methodology. These figures will be revised once the revised admin burden methodology is agreed.

<sup>15</sup> <http://archive.cabinetoffice.gov.uk/brc/publications/lessismore/entry-2.html>

<sup>16</sup> UK Business: Activity, Size and Location 2009 <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=933><sup>16</sup> AHDH Service Level Agreement of Milk Hygiene Quarterly Report 2nd Quarter 2010-2011

## Admin Burden Reduction – England only

**Table 10: Admin Burden Reduction**

Admin Reduction (England)	
Cost per farm	£15.81
Current number of inspections (England)	9,088
<b>Current Admin Burden per year</b>	<b>£143,656</b>
Proposed number of inspections (England)*	2405
<b>Proposed Admin Burden per year</b>	<b>£38,022</b>
<b>Admin Burden Reduction per Option 3</b>	<b>£105,634</b>
<b>Rounded</b>	<b>£105,600</b>

\*Proposed number of inspection are based on an annual average estimate

12.2 We estimate the there will be an administrative burden reduction of approximately £105,600 from Option 3 relative to the current system (Option 1).

## 13 Competition Assessment

13.1. The preferred option may provide an advantage for low-risk (category 3 and 4) farms but encourages higher-risk farms to increase compliance with hygiene regulations and also makes better use of enforcement resources.

## 14 Small Firms Impact Test

14.1. Small firms are a feature of dairy farms, with around 98.73% being micro firms. The preferred option will reduce the inspection burden on the businesses.

## 15 Sustainable development

15.1. Impacts under the three pillars of sustainable development (environmental, economic and social) have been, and continue to be, considered in this Impact Assessment in the main evidence base. Option 3 is the relatively more sustainable option because it reduces the costs of inspection on farms that are low risk and have Assured Dairy Farm status without compromising consumer safety.

15.2. The use of existing ADF audits will reduce the number of official inspection journeys and therefore the overall mileage will be reduced, with a consequent positive effect on the environment.

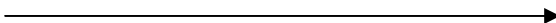
## 16 Race/Gender/Disability equality issues

16.1 The FSA does not envisage an impact.

**Annex 1: comparison of Risk Ratings schemes currently used across the UK**

The frameworks for each of the three risk rating schemes currently used in the UK are set out here.

Risk Rating and Scoring – England and Wales


	Lowest risk  Highest risk			
Level of Compliance	0	10	25	40
Confidence in Management	0	10	25	40

An additional score of 70 is applied to all milk production holdings producing untreated drinking milk for direct human consumption to ensure these are inspected at a frequency no greater than every 6 months.

<b>Inspection Rating Score</b>	<b>0</b>	<b>10 - 25</b>	<b>35 – 60</b>	<b>65 or higher</b>
Minimum Inspection frequency	19 – 24 months	13 – 18 months	6 – 12 months	6 months

In England and Wales, any holding scoring “0” for Level of Compliance and Confidence in Management will be visited every 19-24 months. Any holding scoring anything but “0” will immediately be visited at least every 18 months meaning a visit more frequently than every 2 years is triggered towards the low end of the scoring framework.

Risk Rating and Scoring – Northern Ireland

	Lowest risk  Highest risk				
Food Hygiene & Safety Compliance	0	5	15	20	25
Structural Compliance	0	5	15	20	25
Confidence in Management	0	5	10	20	25



An additional score of 35 is applied to all dairy farms in Northern Ireland. At present, no untreated milk is sold for human consumption in Northern Ireland.

<b>Inspection Rating Score</b>	<b>31 – 41</b>	<b>42 - 71</b>	<b>72 – 91</b>	<b>92 or higher</b>
Minimum Inspection frequency	2 years	18 months	12 months	6 months

In Northern Ireland a holding scoring “0” in all three categories will receive a visit every 2 years. A holding scoring “5” in more than one category will be visited at least every 18 months meaning a visit more frequently than every 2 years is triggered towards the low end of the scoring framework.

Risk Rating and Scoring – Scotland

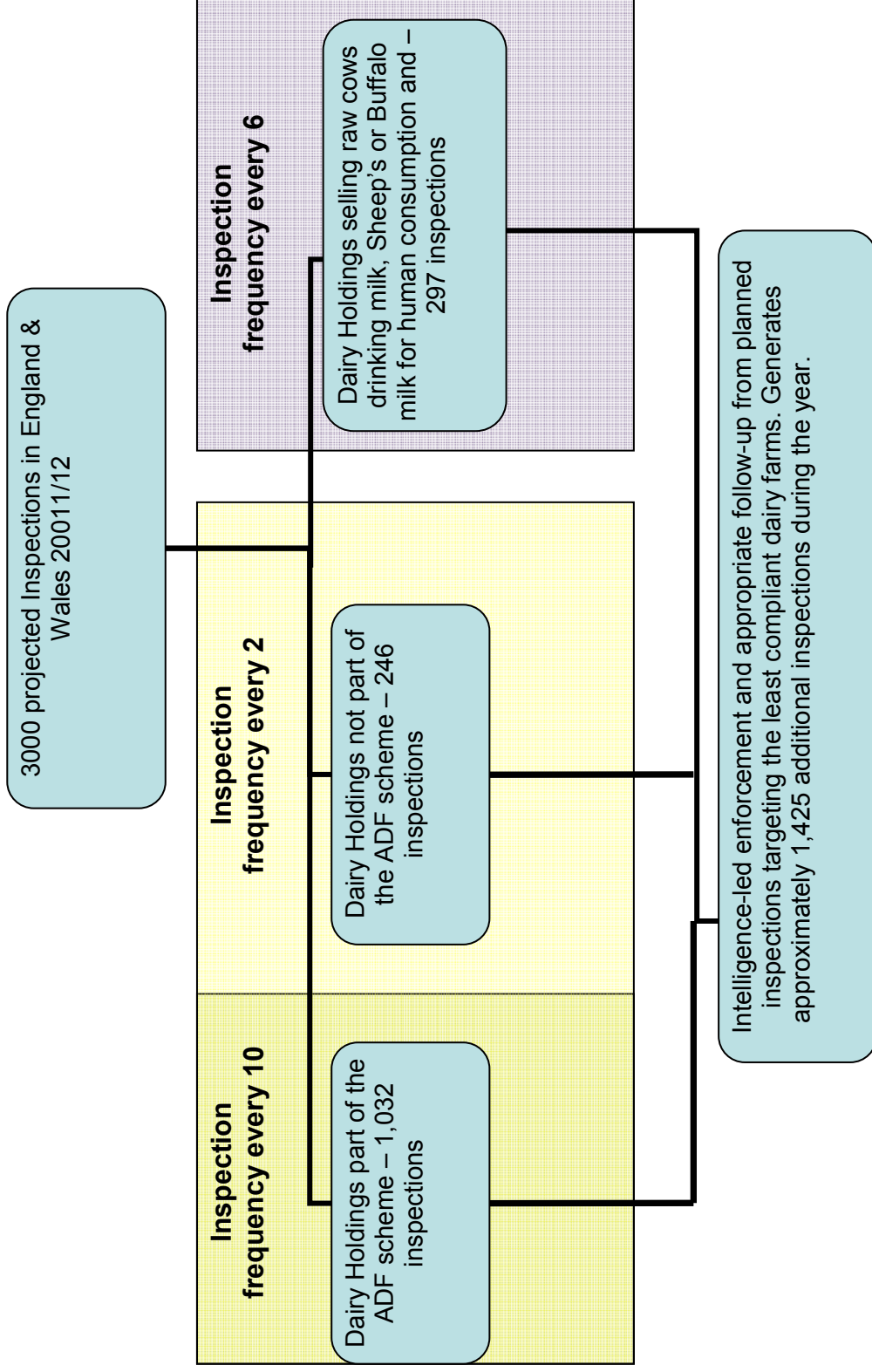
	<b>Lowest risk</b> <b>Highest risk</b>					
Level of Compliance	0	5	10	15	20	25
Confidence in Management	0	5	10	20	30	

An additional score of 10 is applied to all dairy farms in Scotland under the Code of Practice. No untreated milk is sold for human consumption in Scotland.

<b>Inspection Rating Score</b>	<b>0 - 30</b>	<b>31 - 41</b>	<b>42-71</b>	<b>72-91</b>	<b>92 or higher</b>
Minimum Inspection frequency	2 years (for dairy farms)	2 years	18 months	12 months	6 months

In Scotland, a holding is likely to score at least “15” in level of compliance and “20” in Confidence in management to be visited at a frequency of more than every 2 years. This is to the high end of the scoring system and reflects the relatively low risk of dairy holdings where milk is being transported for further processing.

Annex 2: Overview of Planned Annual Inspections in England and Wales



## Annex 3: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<p><b>Basis of the review:</b></p> <p>The review is carried out following a response to the consultation requesting that any review should be earlier than the 5 years proposed, therefore the review will be in 2014.</p>
<p><b>Review objective:</b></p> <p>Checking against the proportionality of the proposed Inspection tasks, looking to seek assurance that the desired outcome of focusing resources on least compliant premises has been achieved and supply of information between agencies has been useful in agreeing actions.</p>
<p><b>Review approach and rationale: [</b></p> <p>Data will be analysed from quarterly meetings with ADF and AHVLA searching reassurance that premise are targeted with the required inspection frequencies and associated outcomes show improvement in compliance.</p>
<p><b>Baseline:</b></p> <p>Number of Inspections carried out following the changes and the associated follow up Inspections with links to prosecutions .</p>
<p><b>Success criteria:</b></p> <p>Success will be measured by data supplied by agencies involved in Inspections of Dairy Holdings showing a continual sharing of data and improvement in compliance levels.</p>
<p><b>Monitoring information arrangements:</b></p> <p>Monthly and quarterly review meetings have been scheduled with ADF and AHVLA looking at Inspection data and forward planning inspections.</p>
<p><b>Reasons for not planning a review:</b></p> <p>Not applicable</p>