

**EXPLANATORY MEMORANDUM TO  
THE MEAT (OFFICIAL CONTROLS CHARGES) (ENGLAND)  
REGULATIONS 2008**

**2008 No. 447**

1. This explanatory memorandum has been prepared by the Food Standards Agency and is laid before Parliament by Command of Her Majesty.

2. **Description**

2.1. The instrument requires the Food Standards Agency (“FSA”) to charge the operators of approved meat premises in England in order to recover a proportion of the costs incurred by the Agency’s Executive Agency, the Meat Hygiene Service (“MHS”), in carrying out official controls at such premises in respect of applicable meat hygiene and animal welfare at slaughter requirements. References to “meat hygiene” below should be taken to include animal welfare at slaughter official controls.

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

3.1. See “legislative background” and “policy background” below.

4. **Legislative background**

4.1. Background

4.1.1. The instrument will replace the Meat (Official Controls Charges) (England) (No.2) Regulations 2007 – S.I. 2007/3385 (“the current Regulations”), which came into force on 31 December 2007, and will continue to provide for the collection of meat hygiene official controls charges in England, as required by Article 27 of Regulation (EC) No. 882/2004 on Official Feed and Food Controls (“the OFFC Regulation”). In addition the instrument will increase most of the standard charge rates set out in Schedule 2 to the current Regulations by 8% (approximately 5% more than inflation). The rates in Schedule 2 are set out in pounds Sterling, converted from minimum rates in Euros set out in the OFFC Regulation at the exchange rate applicable to 2008 (as to which see 7.1.5 below). The instrument also continues to contain provisions for the setting of meat hygiene time costs hourly rates for official controls inspectors, which will also be increased by 8% (approximately 5% more than inflation) from 31 March 2008.

Scrutiny History

4.2.1. A scrutiny history that was produced for the European Scrutiny Committee in the House of Commons and European Union Committee in the House of Lords during negotiation of the OFFC Regulation is attached at Appendix 1. In particular, the scrutiny of Council Directive 96/43/EC may help give context to the official controls charges required by the OFFC Regulation.

## **5. Extent**

- 5.1. This instrument applies in England. Equivalent instruments have been proposed in Scotland, Wales and Northern Ireland.

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

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

## **7. Policy background**

### **7.1. Policy**

- 7.1.1. The requirements laid down as regards charges for meat hygiene official controls are contained in Article 27 of the OFFC Regulation. That provision requires that, from 1 January 2007, Member States must charge no more than actual costs incurred in carrying out official controls and by 1 January 2008, other than in specified cases, no less than specified minimum charge rates.
- 7.1.2. The charge rates in the OFFC Regulation are minimum rates for inspection costs relating to the slaughter per species/type of animal or bird. For controls and inspections connected with cutting operations, the applicable rates are per tonne of meat brought into premises for the purpose of being cut up there.
- 7.1.3. The instrument continues the current meat hygiene charging system, which was introduced in 2001 to support smaller slaughterhouses and cutting plants. This support is achieved by providing for official control charges to be the lower of time cost charges and charges calculated from standard rates. This system was introduced to provide financial support for businesses that could not afford to pay time cost charges, but it has resulted in a significantly higher proportion of businesses paying charges calculated from standard rates than was intended and in those charges recovering an increasingly lower proportion of official control costs, at considerable cost to the public purse. There is now a need to reduce substantially the cost of the controls and for businesses to pay a greater proportion of the cost, in line with Government cost-sharing policy. The Agency and the MHS, with stakeholder input, are developing proposals for new charging arrangements from 2009/10 that will be subject to full public consultation, probably in late Summer/early Autumn 2008.
- 7.1.4. The instrument will increase current meat hygiene standard charge rates per type of animal slaughtered and per tonne of meat cut up that are specified in the current regulations by 8% from 31 March 2008, except for those rates that had already been increased to the minima that the OFFC Regulation required by 1 January 2008. Those rates that were increased by more than 8% on 31 December 2007 to reach the OFFC minima will not be increased further and the rate for adult bovines, which was increased by 6.2% to reach the OFFC minimum, will be increased by a further 1.8% (i.e. 8% in total).
- 7.1.5. In respect of the minimum standard charge rates set out in Euros in the OFFC Regulation, the rates in Schedule 2 to the instrument have been converted from Euros to pound Sterling. The OFFC Regulation does not specify the basis for converting the minimum rates into national currencies. The conversion system adopted for the purposes of the instrument is the one specified in the previously applicable EC law, originally contained in Council

Directive 85/73/EEC, which provided for the rate of conversion into national currency for any given year to be that published on the first working day of September of the previous year in the C series of the Official Journal of the European Union. In addition it was concluded that, in the event that no rate was published on that day, the intention must have been that the applicable rate should be that published on the next day after that day on which a rate was published. Although no such provision is made expressly in the OFFC Regulation, it has been inferred that this implied no intention on the part of Community legislators that, in countries that have not adopted the Euro, those calculating the charges accruing due in the national currency should be obliged to factor in *all* changes in the exchange rate occurring in the charging period concerned. That conclusion reached, it has further been concluded that, as under directive 85/73/EEC, one annual conversion date only must have been intended and that, as the meat Trade were familiar with it, there was no good reason to depart from the 1<sup>st</sup> September etc. formulation. Consequently, in this instrument, the standard rates that equate to the OFFC minima were converted from Euros to pounds Sterling using the exchange rate published on 3 September 2007. Moreover, provision is made in the instrument for the pound Sterling rates for 2009 to be if necessary increased to equate to the OFFC minima using the Euro/£ exchange rate published on the first working day of September 2008. There is no provision for subsequent years as the Instrument includes a “sunset clause” whereby the Instrument will cease to have effect no later than the end of 2009 (when it will be replaced by a further instrument to ensure continued compliance with EC law).

## 7.2 Consultation

- 7.2.1. Around 100 stakeholders in Great Britain were consulted, including industry representative organisations. In addition, around 900 operators of approved slaughterhouses, game handling establishments and meat cutting businesses were alerted to the consultation and given the opportunity to respond to it, either directly or via a representative organisation.
- 7.2.2. The consultation followed the Cabinet Office Code of Practice, although an eight-week consultation period proved to be necessary, instead of the usual 12 weeks, to ensure that revised charge rates could take effect from the start of the 2008/09 financial year. None of the industry representative organisations commented on this, though an abattoir operator and a religious interest group indicated that they felt they had been given enough time to respond. Consultations were also carried out on the equivalent instruments proposed in Scotland, Wales and Northern Ireland.
- 7.2.3. There were 32 responses to the Great Britain consultation, including one sent jointly by four of the main representative industry organisations. While only a small proportion of those consulted responded directly, they included representative industry organisations and operators of approved meat plants, representing the views of the majority of the industry. Several issues were raised, in particular in relation to MHS efficiency and the industry’s willingness or ability to pay. However, many comments focussed on proposed *future* charging strategy and were not specific to the 8% increase proposed for 2008/09. To that extent, therefore, they were not pertinent to this

consultation. None of the comments resulted in a need to amend the instruments.

- 7.2.4. Most of the opposition to the proposals, including from the main representative organisations, took the form of an assertion that charge rate increases should not be made until the MHS had delivered overall cost reductions. However, they did not acknowledge that, as explained in the consultation letter, the proposal to increase industry charges by around £1.5 million in 2008/09 would coincide with an estimated £4 million decrease in MHS costs. The issue of MHS efficiency is, in any case, of very limited relevance to the proposal as most businesses pay standard charges that are unaffected by the MHS official control costs incurred.
- 7.2.5. One operator considered that the proposals would bring about the closure of his and other small abattoirs. Three others considered that implementation ran the risk of causing closures or would damage the industry. None of the main representative organisations expressed this concern, but they and three organisations representing farmers were concerned about possible knock-on effects on the livestock sector. No evidence was provided to substantiate these concerns and there were no comments on the draft Impact Assessment that was included with the consultation proposals.
- 7.2.6. There is a risk that the proposed increases may not be affordable to some businesses that are already particularly vulnerable financially. However, the consultation Impact Assessment indicated that the impact was likely to be manageable, bearing in mind that the proposed increases are proportional to the size of the business, and that small and medium sized businesses would still be benefiting from a significant subsidy as a result of the current charging policy (the Maclean subsidy).
- 7.3.7. A summary of the consultation comments and Departmental responses is attached to this memorandum (Appendix 2).

### 7.3. Guidance

- 7.3.1. The current MHS Charges Guide for industry will continue to be applicable and the Operators of approved meat plants will be advised in advance about the new standard rates and time costs hourly rates that will come into force from 31 March 2008.

### 7.4. Sanctions

- 7.4.1. The MHS will remain responsible for enforcement, sanctions and monitoring in respect of the meat hygiene charging provisions set out in the instrument.

## **8. Impact**

- 8.1. Although the instrument will impose additional costs on businesses, the impact of the increased charges are proportional to the size of the business, and small and medium sized businesses would still be benefiting from a significant subsidy. A final Impact Assessment is attached to this memorandum.

## **9. Contact**

- 9.1. Mrs Sandie Yeats at the Food Standards Agency (tel: 020 7276 8326 or e-mail: [sandie.yeats@foodstandards.gsi.gov.uk](mailto:sandie.yeats@foodstandards.gsi.gov.uk)) can answer any queries regarding the instrument.

**Part 1****PARLIAMENTARY SCRUTINY HISTORY RELEVANT TO A PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL CONCERNING OFFICIAL FEED AND FOOD CONTROLS  
EUROPEAN PARLIAMENT AND COUNCIL REGULATION No. 178/2002**

Legislation	European Parliament and Council Regulation No. 178/2002
Adopted	28 January 2002
Official Journal	L31 of 1 February 2002 (Page 1 – 24)
Explanatory Memoranda	5761/00 of 2 February 2000 14174/00 of 21 January 2001 11445/01 of 11 October 2001

EXPLANATORY MEMORANDUM 5761/00

## SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important – for debate	Date: 1 March 2000 Report ref: (20875) HC 23 – x (Session 1999-2000) Paragraph 2	Referred to Sub-Committee (List B)	Date: 8 February 2000 Sub-Committee D
Debated in European Standing Committee C	Date: 12 April 2000	Recommended for debate	Date: 16 May 2000 7 <sup>th</sup> Report HL Paper 66 (Session 1999-2000)
		Debated	Date: 23 June 2000

EXPLANATORY MEMORANDUM 14174/00

## SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Legally and politically important – for debate on the floor of the House	Date: 14 March 2001 Report Ref: (21886) HC 28 – viii (Session 2000-2001) Paragraph 1	Referred to Sub-Committee	Date: 21 January 2001 Sub-Committee D

Legally and politically important - cleared	Date: 31 October 2001 Report Ref: (21886) HC 152 – iii (Session 2001 – 2002) Paragraph 5	Cleared	Date: 23 March 2001 10 <sup>th</sup> Report HL Paper 66 (Session 2000-2001)
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EXPLANATORY MEMORANDA 11445/01

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Legally and politically important - cleared	Date: 31 October 2001 Report ref: (21886)(22675) HC 152 - iii (Session 2001-01) Paragraph 5	Sifted to Sub-Committee D	Date: 17 October 2001
		Cleared (Sub-Committee D)	Date: 14 November 2001

**COUNCIL DIRECTIVE 95/53/EC**

Legislation	Council Directive 95/53/EC
Adopted	25 October 1995
Official Journal	L265 of 8 November 1995 (Page 17-22)
Explanatory Memoranda	9612/93 of 30 November 1993 8897/94 of 29 September 1994

EXPLANATORY MEMORANDUM 9612/93

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Not legally or politically important	Date: 15 December 1993	Cleared (List A)	Date: 6 December 1993

EXPLANATORY MEMORANDUM 8897/94

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Not legally or politically important	Date: 19 October 1994	Cleared (List A)	Date: 10 October 1994

**COUNCIL DIRECTIVE 70/373/EEC**

Legislation	Council Directive 70/373/EEC
Adopted	20 July 1970
Official Journal	L170 of 3 August 1970 (Page 2 – 3)
Explanatory Memoranda	No Details available

**COUNCIL DIRECTIVE 89/397/EEC**

Legislation	Council Directive 89/397/EEC
Adopted	14 June 1989
Official Journal	L186 of 30 June 1989 (Page 23-26)
Explanatory Memoranda	4101/87 6442/89 5028/88

EXPLANATORY MEMORANDUM 6442/89

## SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Deferred	Date: 19 April 1989	Listed 'A'	Date: 2 May 1989
Not legally or politically important – cleared	Date: 3 May 1989		

**COUNCIL DIRECTIVE 93/99/EEC**

Legislation	Council Directive 93/99/EEC
Adopted	29 October 1993
Official Journal	L290 of 24 November 1993 (Page 14 – 17)
Explanatory Memoranda	4690/92 of 6 March 1992 11221/92 of 29 February 1993 9990/93 of 3 February 1994 6007/98 of 12 March 1998

EXPLANATORY MEMORANDUM 4690/92

## SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important not for debate	Date: 11 March 1992 Report ref: (13524) HC 24-xv (Session 1991-92) Paragraph 16	Cleared without Report (List A)	Date: 9 March 1992



EXPLANATORY MEMORANDUM 11221/92

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important not for debate	Date: 3 February 1993 Report ref: (14248) HC 79-xvii (Session 1992-93) Paragraph 6	Cleared without Report (List A)	Date: 8 February 1993

EXPLANATORY MEMORANDUM 9990/93

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Not legally or politically important	Date: 9 February 1994	Cleared without Report (List A)	Date: 7 February 1994

EXPLANATORY MEMORANDUM 6007/98

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Date: 1 April 1998		Cleared without Report (List A)	Date: 16 March 1998

**COUNCIL DIRECTIVE 89/662/EEC**

Legislation	Council Directive 89/662/EEC
Adopted	11 December 1989
Official Journal	L395 of 30 December 1989 (Page 13 – 22)
Explanatory Memoranda	8062/88 of 7 November 1988 8062/88 SEM of 13 December 1988 8062/88 2 <sup>nd</sup> SEM of 26 March 1990 8062/883 <sup>rd</sup> SEM of 27 April 1990 8062/88 4 <sup>th</sup> SEM of 13 June 1990

## EXPLANATORY MEMORANDUM 8062/88

### SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important not for debate	Date: 9 November 1988 Report Ref : (10534) HC 43-xxxix Session 1987-1988 paragraph 9	Referred to Sub-Committees D & E: (List B)	Date : 14 November 1988
Debated	Date : 5 June 1990 2nd Standing Committee on European Community Documents	Cleared without Report (List C)	Date : 27 January 1989 Committees D & E

## EXPLANATORY MEMORANDUM 8062/88 AND SUPPLEMENTARIES

### SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons
<p>At its meeting on 9 November 1988, The House of Commons Select Committee on European Legislation considered the subject of Explanatory Memorandum 8062/88 to be politically important but not for debate ([10534] HC 43-xxxix[Session 1987 –1988] Paragraph 9). At its meeting on 20 December 1989, the Committee also considered the first Supplementary Explanatory Memorandum to be politically important but not for debate. However, at its meeting on 9 May 1990, the Committee considered the subject of both the second and third Supplementary Explanatory Memoranda to be politically important and recommended the proposal for debate ([10534] HC 11-xxi [Session 1989-90] Paragraph 1). At its meeting on 13 June 1990, the Committee considered the fourth Supplementary Explanatory Memorandum and confirmed the earlier recommendation that the proposal was politically important and for debate ([10534] HC 11-xxv [Session 1989-90] paragraph 2.) The proposal was debated in the Second Standing Committee on European Community Documents.</p>

Lords
<p>At its meeting on 14 November 1988, the House of Lords Select Committee on the European Communities referred Explanatory Memorandum 8062/88 to Sub-Committees D and E where it cleared on 27 January 1989. At its meeting on 18 December 1989 and 26 March 1990 respectively, the Committee referred the first and second Supplementary Memoranda to Sub-Committee D and they were subsequently debated, together with the original Explanatory Memorandum, on 5 April 1990. The first and second Supplementary Memoranda were cleared by Sub-Committee D on 24 April 1990. At its meeting on 30 April and 18 June 1990 respectively, the Committee referred the third and fourth Supplementary Explanatory Memoranda to Sub-Committee D and they were subsequently cleared without report on 4 December 1990.</p>

## **COUNCIL DIRECTIVE 96/43/EC**

Legislation	Council Directive 96/43/EC
Adopted	26 June 1996
Official Journal	L8 of 11 January 1997 (Page 32)
Explanatory Memoranda	11316/95 of 23 October 1995 SEM 11316/95 of 2 February 1996

### EXPLANATORY MEMORANDUM 11316/95

#### SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important – not for debate at this stage – further information requested	Date: 1 November 1995 Report Ref : (16491) HC 70-xxvi (Session 1994-95) Paragraph 9	Cleared (List A)	Date : 30 October 1995

### SUPPLEMENTARY EXPLANATORY MEMORANDUM 11316/95

#### SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important – not for debate	Date: 14 February 1996 Report Ref : (16491) HC 51-ix (Session 1995-96) Paragraph 7	Cleared (List A)	Date : 5 February 1996

## **Part 2**

### **PARLIAMENTARY SCRUTINY HISTORY RELEVANT TO A PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL CONCERNING OFFICIAL FEED AND FOOD CONTROLS**

#### **EUROPEAN PARLIAMENT AND COUNCIL REGULATION No. 178/2002**

Legislation	European Parliament and Council Regulation No. 178/2002
Adopted	28 January 2002
Official Journal	L31 of 1 February 2002 (Page 1 – 24)
Explanatory Memoranda	5761/00 of 2 February 2000 14174/00 of 21 January 2001 11445/01 of 11 October 2001

EXPLANATORY MEMORANDUM 5761/00

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important – for debate	Date: 1 March 2000 Report ref: (20875) HC 23 – x (Session 1999-2000) Paragraph 2	Referred to Sub-Committee (List B)	Date: 8 February 2000 Sub-Committee D
Debated in European Standing Committee C	Date: 12 April 2000	Recommended for debate	Date: 16 May 2000 7 <sup>th</sup> Report HL Paper 66 (Session 1999-2000)
		Debated	Date: 23 June 2000

EXPLANATORY MEMORANDUM 14174/00

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Legally and politically important – for debate on the floor of the House	Date: 14 March 2001 Report Ref: (21886) HC 28 – viii (Session 2000-2001) Paragraph 1	Referred to Sub-Committee	Date: 21 January 2001 Sub-Committee D
Legally and politically important - cleared	Date: 31 October 2001 Report Ref: (21886) HC 152 – iii (Session 2001 – 2002) Paragraph 5	Cleared	Date: 23 March 2001 10 <sup>th</sup> Report HL Paper 66 (Session 2000-2001)

EXPLANATORY MEMORANDUM 11445/01

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Legally and politically important - cleared	Date: 31 October 2001 Report ref: (21886)(22675) HC 152 - iii (Session 2001-01) Paragraph 5	Sifted to Sub-Committee D	Date: 17 October 2001
		Cleared (Sub-Committee D)	Date: 14 November 2001

**COUNCIL DIRECTIVE 95/53/EC**

Legislation	Council Directive 95/53/EC
Adopted	25 October 1995
Official Journal	L265 of 8 November 1995(Page 17-22)
Explanatory Memoranda	9612/93 of 30 November 1993 8897/94 of 29 September 1994

EXPLANATORY MEMORANDUM 9612/93

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Not legally or politically important	Date: 15 December 1993	Cleared (List A)	Date: 6 December 1993

EXPLANATORY MEMORANDUM 8897/94

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Not legally or politically important	Date: 19 October 1994	Cleared (List A)	Date: 10 October 1994

**COUNCIL DIRECTIVE 99/20/EC (LAST AMENDMENT TO COUNCIL DIRECTIVE 95/53/EC)**

Legislation	Council Directive 99/20/EC
Adopted	22 March 1999
Official Journal	L80 of 25 March 1999 (Page 20- 21)
Explanatory Memoranda	10514/98 of 5 October 1998

EXPLANATORY MEMORANDUM 10514/98

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Not legally or politically important - cleared	Date: 21 October 1998	Cleared (List A)	Date: 12 October 1998

**COUNCIL DIRECTIVE 70/373/EEC**

Legislation	Council Directive 70/373/EEC
Adopted	20 July 1970
Official Journal	L170 of 3 August 1970 (Page 2 – 3)
Explanatory Memoranda	No Details available

**COUNCIL DIRECTIVE 89/397/EEC**

Legislation	Council Directive 89/397/EEC
Adopted	14 June 1989
Official Journal	L186 of 30 June 1989 (Page 23-26)
Explanatory Memorandum	4101/87 6442/89 5028/88

EXPLANATORY MEMORANDUM 6442/89

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Deferred	Date: 19 April 1989	Listed 'A'	Date: 2 May 1989
Not legally or politically important – cleared	Date: 3 May 1989		

**COUNCIL DIRECTIVE 93/99/EEC**

Legislation	Council Directive 93/99/EEC
Adopted	29 October 1993
Official Journal	L290 of 24 November 1993 (Page 14 – 17)
Explanatory Memoranda	4690/92 of 6 March 1992 11221/92 of 29 February 1993 9990/93 of 3 February 1994 6007/98 of 12 March 1998

EXPLANATORY MEMORANDUM 4690/92

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important not for debate	Date: 11 March 1992 Report ref: (13524) HC 24-xv (Session 1991-92) Paragraph 16	Cleared without Report (List A)	Date: 9 March 1992

EXPLANATORY MEMORANDUM 11221/92

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important not for debate	Date: 3 February 1993 Report ref: (14248) HC 79-xvii (Session 1992-93) Paragraph 6	Cleared without Report (List A)	Date: 8 February 1993

EXPLANATORY MEMORANDUM 9990/93

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Not legally or politically important	Date: 9 February 1994	Cleared without Report (List A)	Date: 7 February 1994

EXPLANATORY MEMORANDUM 6007/98

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Date: 1 April 1998		Cleared without Report (List A)	Date: 16 March 1998

**COUNCIL DIRECTIVE 92/118 (LAST AMENDMENT TO COUNCIL DIRECTIVE 89/662)**

Legislation	Council Directive 92/118/EEC
Adopted	17 December 1992
Official Journal	L 62 of 15 March 1993 (Page 49)
Explanatory Memorandum	4796/90 of 12 March 1990 SEM 4796/90 of 12 June 1992

EXPLANATORY MEMORANDUM 4796/90

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important – for debate in Standing Committee	Date: 28 March 1990 Report Ref: (11908) HC 11-xvi (Session 1989–90) Paragraph 10	Referred to Sub-Committee (List B)	Date: 19 March 1990 Sub-Committee B
Debated	Date: 5 June 1990	Cleared (List C)	Date: 24 April 1990

SUPPLEMENTARY EXPLANATORY MEMORANDUM 4796/90

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important – not for debate	Date: 24 June 1992 Report Ref: (11908) HC 79-ii (Session 1992-93) Paragraph 4	Referred to Sub-Committee (List B)	Date: 22 June 1992 Sub-Committee B
		Cleared (List C)	Date: 27 October 1992

**COUNCIL DIRECTIVE 97/78/EC**

Legislation	Council Directive 97/78//EC
Adopted	18 December 1997
Official Journal	L24 of 30 January 1998 (Page 9 – 30)
Explanatory Memoranda	



## **COUNCIL DIRECTIVE 96/43/EC**

Legislation	Council Directive 96/43/EC
Adopted	26 June 1996
Official Journal	L8 of 11 January 1997 (Page 32)
Explanatory Memoranda	11316/95 of 23 October 1995 SEM 11316/95 of 2 February 1996

### EXPLANATORY MEMORANDUM 11316/95

#### SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important – not for debate at this stage – further information requested	Date: 1 November 1995 Report Ref : (16491) HC 70-xxvi (Session 1994-95) Paragraph 9	Cleared (List A)	Date : 30 October 1995

### SUPPLEMENTARY EXPLANATORY MEMORANDUM 11316/95

#### SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important – not for debate	Date: 14 February 1996 Report Ref : (16491) HC 51-ix (Session 1995-96) Paragraph 7	Cleared (List A)	Date : 5 February 1996

## **COUNCIL DIRECTIVE 85/73/EEC**

Legislation	Council Directive 85/73/EEC
Adopted	29 January 1985
Official Journal	L32 of 5 February 1985 (Page 14 – 15)
Explanatory Memoranda	No details available

## **EUROPEAN PARLIAMENT AND COUNCIL REGULATION (EC) No. 999/2001**

Legislation	European Parliament and Council Regulation (EC) No. 999/2001
Adopted	22 May 2001
Official Journal	L.147 of 31 May 2001 (Page 1 – 40)
Explanatory Memoranda	

**COUNCIL DIRECTIVE 89/662 (LAST AMENDED BY COUNCIL DIRECTIVE 92/118)**

Legislation	Council Directive 89/662/EEC
Adopted	11 December 1989
Official Journal	L395 of 30 December 1989 (page 13)
Explanatory Memoranda	8062/88 of 7 November 1988 8062/88 SEM of 13 December 1988 8062/88 2nd SEM of 26 March 1990 8062/88 3rd SEM of 27 April 1990 8062/88 4th SEM of 13 June 1990

EXPLANATORY MEMORANDUM 8062/88 AND SUPPLEMENTARIES

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons
<p>At its meeting on 9 November 1988, The House of Commons Select Committee on European Legislation considered the subject of Explanatory Memorandum 8062/88 to be politically important but not for debate ( [10534] HC 43-xxxix [ Session 1987-88 ] paragraph 9 ). At its meeting on 20 December 1989, the Committee also considered the first Supplementary Explanatory Memorandum to be politically important but not for debate. However, at its meeting on 9 May 1990, the Committee considered the subject of both the second and third Supplementary Explanatory Memoranda to be politically important and recommended the proposal for debate ( [10534] HC 11-xxi [ Session 1989-90 ] paragraph 1 ). At its meeting on 13 June 1990, the Committee considered the fourth Supplementary Explanatory Memorandum and confirmed the earlier recommendation that the proposal was politically important and for debate ( [ 10534 ] HC 11-xxv [Session 1989-90] paragraph 2 ). The proposal was debated in the Second Standing Committee on European Community Documents</p>

Lords
<p>At its meeting on 14 November 1988, the House of Lords Select Committee on the European Communities referred Explanatory Memorandum 8062/88 to Sub-Committees D and E where it cleared on 27 January 1989. At its meeting on 18 December 1989 and 26 March 1990 respectively, the Committee referred the first and second Supplementary Explanatory Memoranda to Sub-Committee D and they were subsequently debated, together with the original Explanatory Memorandum, on 5 April 1990. The first and second Supplementary Explanatory Memoranda were cleared by Sub-Committee D on 24 April 1990. At its meeting on 30 April and 18 June 1990 respectively, the Committee referred the third and fourth Supplementary Explanatory Memoranda to Sub-Committee D and they were subsequently cleared without report on 4 December 1990.</p>

**COUNCIL DIRECTIVE 91/67/EEC (LAST AMENDED BY COUNCIL DIRECTIVE 98/45/EC)**

Legislation	Council Directive 91/67/EEC
Adopted	28 January 1991
Official Journal	L 46 of 19 February 1991 (Page 1)
Explanatory Memorandum	4783/90 of 14 March 1990

EXPLANATORY MEMORANDUM 4783/90

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Politically important – for debate in Standing Committee	Date: 28 March 1990 Report Ref: (11892) HC 11-xvi (Session 1989 - 90) Paragraph 6	Referred to Sub-Committee (List B)	Date: 19 March 1990
Debated with 4699/90 and 4779/90	7 June 1990	Cleared without report (List C)	Date: 24 April 1990

**COUNCIL DIRECTIVE 98/45/EC (LAST AMENDMENT TO COUNCIL DIRECTIVE 91/67/EEC)**

Legislation	Council Directive 98/45/EC
Adopted	24 June 1998
Official Journal	L 189 of 3 July 1998 (Page 12)
Explanatory Memorandum	8823/96 of 30 July 1996

EXPLANATORY MEMORANDUM 8823/96

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Not legally or politically important	Date: 16 October 1996	Cleared (List A)	Date: 9 October 1996

**COUNCIL DIRECTIVE 93/43**

Legislation	Council Directive 93/43
Adopted	14 June 1993
Official Journal	L 175 of 19 July 1993 (Page 1)
Explanatory Memorandum	Dept of Health lead

EXPLANATORY MEMORANDUM 10427/00

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Legally and politically important – for debate in European Standing Committee C	Date: 17 January 2001 Report Ref. (21499) HC 28-iii (Session 2001) Paragraph 1 (Third Report of Session 2000-2001)	Referred to Sub-Committee (List B)	Date: 3 October 2000
Legally and politically important – cleared	Date: 3 May 2002 Report Ref. 21499 HC 152 – xxv and HCP 152 – xxvi 25 <sup>th</sup> and 26 <sup>th</sup> Reports of Session 2001 – 2002	Cleared without report	Date: 27 October 2000

EXPLANATORY MEMORANDUM 10427/00

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Legally and politically important – for debate in European Standing Committee C	Date: 17 January 2001 Report Ref. (21499) HC 28-iii (Session 2001) Paragraph 1 (Third Report of Session 2000-2001)	Referred to Sub-Committee (List B)	Date: 3 October 2000
Legally and politically important – cleared	Date: 3 May 2002 Report Ref. 21499 HC 152 – xxv and HCP 152 – xxvi 25 <sup>th</sup> and 26 <sup>th</sup> Reports of Session 2001 – 2002	Cleared without report	Date: 27 October 2000

EXPLANATORY MEMORANDA 8868/02 & 8869/02

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Not legally or politically important - cleared	Date: 26 June 2002 Report Refs. (23566 & 23567) HC 152-xxxiv (Session 2001-02) Paragraph 16	Cleared	Date: 25 June 2002 (Sift 1108)

## **COUNCIL DIRECTIVE 96/23/EC**

Legislation	Council Directive 96/23/EC
Adopted	29 April 1996
Official Journal	L125 of 23 May 1996 (Page 10 – 32)
Explanatory Memoranda	8988/93 Part II

### EXPLANATORY MEMORANDUM 8988/93 PART II

#### SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Legally and politically important- not for debate	Date: 19 January 1993 Report Ref : (14869) HC 48 –iv (Session 1993-94) Paragraph 5	Referred to Sub-Committee (List B)	Date: 10 January 1994 Sub-Committee D
		Cleared (List F cleared by letter to the Minister)	Date: 29 March 1994

## **COUNCIL REGULATION (EC) No. 882/2004**

Legislation	Regulation (EC) No. 882/2004 of the European Parliament and of the Council
Adopted	29 April 2004
Official Journal	L165 of 30 April 2004, p. 1 (corrected version: OJ L 191, 28.5.2004, p.1)
Explanatory Memoranda	6090/03 of 3 March 2003 SEM 6090/03 of 1 April 2004

### EXPLANATORY MEMORANDUM 6090/03

#### SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Legally and politically important - For debate	Date: 29.10.2003 Report ref: HC 63-xxxiv, paragraph 2	Sifted to sub-Committee D in Sift 1135 Held under scrutiny (see Progress of Scrutiny Report of 01.12 2003)	Date: 11.03.2003

SUPPLEMENTARY EXPLANATORY MEMORANDUM 6090/03

SCRUTINY COMMITTEES' RECOMMENDATIONS

Commons		Lords	
Legally and politically important - Cleared on basis of SEM and Minister's letter.	Date: 01.04.2004 Report ref: HC 42-xvii, paragraph 15	Sifted to sub-Committee D in Sift 1176 Cleared by Chair of EU Committee	Date: 06.04.2004  Date: 23.04.2004

**CONSULTATION ON PROPOSALS TO INCREASE CHARGE RATES FOR MEAT HYGIENE AND ANIMAL WELFARE AT SLAUGHTER OFFICIAL CONTROLS CARRIED OUT IN APPROVED MEAT ESTABLISHMENTS FROM 31 MARCH 2008**

**THE MEAT (OFFICIAL CONTROLS CHARGES) (ENGLAND) REGULATIONS 2008**

1. Consultation took place throughout Great Britain between 14 November 2007 and close of business on 11 January 2008. The consultation package was sent to around 100 stakeholders. In addition, around 900 operators of approved slaughterhouses, game handling establishments and meat cutting businesses were sent a letter alerting them to the consultation and giving them the opportunity to respond to it either directly or via a representative organisation. 32 substantive responses (one of which was a joint response) were received. Consultations were also carried out by the devolved administrations on the equivalent legislative proposals in Scotland, Wales and Northern Ireland.

2. We are grateful for the comments received and have taken them into account in finalising the proposed regulations. The full consultation package is available on the Food Standards Agency website at:

<http://www.food.gov.uk/consultations/consulteng/2008/meatcharges2008/england>

3. **The key proposals on which views were sought were:**

- i. **to increase MHS time costs hourly rates by 8% (approximately 5% plus inflation)**
- ii. **to increase standard charge rates for throughput by 8% (approximately 5% plus inflation), except for those rates that were increased to the minima required by the EC OFFC Regulation<sup>1</sup> on 31 December 2007**
- iii. **to increase the rate for adult bovines, which was increased on 31 December 2007 by 6.2% to reach the OFFC minimum, by a further 1.8% (i.e. 8% in total); and**
- iv. **to retain those rates that were increased by more than 8% on 31 December 2007 in order to reach the OFFC minima, i.e. no further increase was proposed for:**

Turkeys weighing less than 2kg
Turkeys weighing 2 kg or more (except those that are adult and weigh at least 5kg)
Boars weighing less than 25kg
Boars weighing 25kg or more
Ruminants weighing less than 12kg
Ruminants weighing 12kg to 18kg

<sup>1</sup> Regulation (EC) No 882/2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and welfare rules.

4. There were 32 responses to the consultation, including one sent jointly by four of the main representative industry organisations.

5. While only a small proportion of those consulted responded directly, they included representative industry organisations and operators of approved meat plants, representing the views of the majority of the industry. Several issues were raised, in particular in relation to MHS efficiency and the industry's willingness or ability to pay. However, many comments focussed on proposed *future* charging strategy and were not specific to the 8% increase proposed for 2008/09. To that extent, therefore, they were not pertinent to this consultation. None of the comments resulted in a need to amend the proposals.

6. Most of the opposition to the proposals, including from the main representative organisations, took the form of an assertion that charge rate increases should not be made until the MHS had delivered overall cost reductions. However, they did not acknowledge that, as explained in the consultation letter, the proposal to increase industry charges by around £1.5 million in 2008/09 would coincide with an estimated £4 million decrease in MHS costs. The issue of MHS efficiency is, in any case, of very limited relevance to the proposal as most businesses pay standard rate charges that are unaffected by the MHS official control costs incurred.

7. One operator considered that the proposals would bring about the closure of his and other small abattoirs. Three others considered that implementation ran the risk of causing closures or would damage the industry. None of the main representative organisations expressed this concern, but they and three organisations representing farmers were concerned about possible knock-on effects on the livestock sector. No evidence was provided to substantiate these concerns and there were no comments on the draft IA that was included with the consultation proposals.

8. There is a risk that the proposed increases may not be affordable to some businesses that are already particularly vulnerable financially. However, the consultation IA indicated that the impact was likely to be manageable, bearing in mind that the proposed increases are proportional to the size of the business, and that small and medium sized businesses would still be benefiting from a significant subsidy as a result of the current charging policy (the Maclean subsidy).

9. For context, the table overleaf shows the actual impact that the increases proposed will have on a random selection of actual businesses across the spectrum of business sizes. The table shows a high level estimate of what the increase will mean to individual operators. The figures are based on actual charges to operators (rounded) and exclude additional charges (e.g. where operators are charged additionally for time that they work beyond their agreed operating hours). The table demonstrates that an 8% increase on charges is relatively small for small businesses that would still receive a significant subsidy.



Table 1: Estimated impact of the proposed rate increases on differing sizes of red meat slaughterhouses

Plant size <sup>1</sup>	07/08 Forecast Full Year Throughput Charge	07/08 Forecast Full Year Time Costs	07/08 Forecast Full Year Charge	Estimated 08/09 Charge including 8% increase	Total Increase in charge	Subsidy <sup>2</sup>
	£	£	£	£	£	
<b>Micro</b>	21	538	21	23	2	96%
<b>Micro</b>	350	6,108	350	378	28	94%
<b>Small</b>	8,591	26,320	8,591	9,278	687	65%
<b>Medium</b>	24,647	98,200	27,647	29,585	2,212	70%
<b>Large</b>	169,172	286,317	169,172	182,705	13,533	36%
<b>Large</b>	653,611	453,684	453,684	489,978	36,294	0% <sup>3</sup>

<sup>1</sup> The four size categories of plants are based on annual throughput quartiles. Micro plants process fewer than 895 Animal Units (AUs), small plants process between 895 and 6,561 AUs, medium-sized plants process between 6,562 and 32,613 AUs, and large plants process more than 32,613 AUs.

<sup>2</sup> Does not take account of the fact that current time cost hourly rates do not recover full costs due to Ministerial rate freezes some years ago.

<sup>3</sup> Businesses on time costs may benefit from reduced MHS official control hours in 2008/09.

10. The table below summarises the responses to the consultation in terms of the specific questions posed. The Food Standards Agency's considered responses to stakeholders' comments are given in the last column of the table.

11. A list of stakeholders who responded can be found at the end of the document.

**CONSULTATION RESPONSES – CHANGES TO CHARGES MADE BY THE MEAT HYGIENE SERVICE FOR THE PROVISION OF OFFICIAL CONTROLS FROM 31 MARCH 2008**

**SUMMARY OF CHANGES MADE: None**

Comments relating to consultation proposals		Response
1.	If these proposals are implemented it will bring about closure of this, and other small abattoirs.	<p>A full impact assessment was carried out in developing the proposals. The proposed 8% increase in charge rates will affect all Food Business Operators (FBOs) in proportion to the size of their business. Charge rates to all FBOs will continue to recover significantly less than the costs of the official controls that are carried out and all small abattoirs will continue to benefit from very substantial support.</p> <p>The proposed increases will return standard charge rates for throughput to approximately their value in 2001 when the current system of charging was introduced.</p> <p>No comments were received on the consultation Impact Assessment that indicated that the additional costs to low throughput businesses will be small.</p>
2.	The proposals have severe animal welfare implications, with consequential financial hardship, due to a shortage of slaughtering facilities in some areas that would get worse if more abattoirs close.	
3.	A reduction in abattoirs and increased inspection charges will mean that more livestock will be slaughtered illegally, thus reducing animal welfare and hygiene standards.	
4.	The proposals would have a considerable impact on pig slaughterers and on the pig industry.	
5.	It is difficult for Kosher slaughter to make operations financially viable.	
6.	Any increase in charges rates damages the industry as a whole.	
7.	Any increase leads to the risk of net losses and a threat to jobs.	
8.	The proposals would undermine efforts to promote locally sourced and processed produce.	
9.	Why should the industry pay for MHS inefficiencies?	
10.	Opposed to the proposed charge rate increases.	

11.	The proposals do not take into account the change in throughput rates for turkeys of different weights from 31 December 2007.	This is a misunderstanding – it was proposed that the turkey rates that were increased by more than 8% from 31 December 2007 would <u>not</u> be increased further.
12.	It is difficult to contemplate even greater increases in the standard charge rates for throughput, higher than you propose for the MHS time cost hourly rates.	It was not proposed to increase standard charge rates for throughput by more than time cost hourly rates. The proposal was to increase standard rates and time cost hourly rates by 8%, except for those standard rates that were increased by more than 8% on 31 December 2007, which would not be increased further. Also, it was proposed to increase the rate for adult bovines by 1.8% above the 30 December 2007 level as it was increased by 6.2% on 31 December 2007 (i.e. a total increase of 8%).
13.	How can one justify an increase in hourly charge of 8% when staff employed by the slaughterhouse are at best being paid an increase at the rate of inflation only?	MHS time cost hourly rates are currently 20% and 30% less than the cost of recovering the official controls to which they relate. The greater than inflation charge rate increase is to start reducing this deficit.
14.	Industry believes these proposals to be poorly timed with the livestock sector having difficulties, such as increased feed costs and the ongoing effects of Foot and Mouth Disease and Bluetongue.	The FSA is aware of pressures on the livestock industry, but it considers that there is seldom likely to be a period when increasing charge rates for official controls is likely to be seen as being appropriately timed.
15.	Before any consideration is given to increased charges, examination should be made into decreasing charges by root and branch reorganisation.	Reorganisation is taking place as part of the transforming MHS project. As was made clear in the consultation documents, the estimated £1.5 million increase in meat hygiene official controls charges during 2008/09, which was proposed, will coincide with an estimated £4 million reduction in MHS official controls costs and further reductions are planned to be achieved in future years. However, the issue of MHS efficiency is of very limited relevance to the proposed charge rate increases as most businesses pay standard rate charges that are unaffected by the MHS official control costs incurred. The transforming MHS project was initiated in response to industry concerns that the FSA and MHS Boards shared. Following a comprehensive and independent review, the FSA Board requires the MHS to become quickly a leaner and more efficient delivery agent for official controls. The MHS is fully committed to achieving this turn-around, to the benefit of FBOs and taxpayers.

16.	Opposed to increases at a time when the current MHS transformation programme is yet to deliver overall cost reduction.	Disagree. The MHS has already made changes that will reduce its official controls costs by an estimated £4 million.
17.	It is important to consider Defra’s current cost and responsibility sharing consultation, which makes proposals to impose considerable burdens on the livestock sector, for example a £60m cost related to TSE activity. It is vital that an impact assessment is prepared which will look at the cumulative burden of all charges being proposed by Government and its Agencies	The FSA is working closely with Defra regarding its cost and responsibility sharing initiative and understands the importance of taking account of the combined impact of FSA and Defra proposals.
18.	The industry should bear the cost of the proposed charge rate increases, not the public.	Noted.

<b>Other comments not relevant to this consultation</b>		
<b>Comment</b>		<b>Response</b>
19.	Proposals for “full cost recovery” are unacceptable and unjustified given the inefficiencies within the MHS.	The proposal is to move <u>towards</u> full cost recovery as the MHS reduces the cost of official controls through its transformation project. It is likely that types of plants that need continuing support during this process because of their financial vulnerability, and perhaps beyond, will be charged a proportion of time cost hourly rates. The move to time cost based charging is intended to take place in 2009/10.
	The charging system should not be changed to general hourly charging rather than charging standard rates for throughput.	
	Private service operators could easily replace the MHS.	
	Lack of competition has resulted in a bloated MHS.	
		Proposals are being developed to propose piloting private sector control bodies if the FSA Board decides that is desirable in the light of the MHS’s transformation progress.

**ACTIONS TO BE IMPLEMENTED:**

The Meat Hygiene Service will implement, from 31 March 2008, the increased charge rates that were proposed.

## Appendix 2

	<b>Respondent</b>	<b>Comment</b>
1.	Association of Independent Meat Suppliers*	14, 15, 16, 17
2.	Bakers of Nailsea Limited	10, 15
3.	Bowland Foods Limited	19
4.	British Meat Processors Association*	14, 15, 16, 17
5.	British Poultry Council*	14, 15, 16, 17
6.	C J Byford & Son	10, 15, 19
7.	Caerphilly Abattoir	1, 15
8.	Cheale Meats Limited	4, 14, 15, 19
9.	Cig Oen Caron	19
10.	Cleveland Meat Company Limited	6, 9, 10, 19
11.	Conwy Valley Meats Limited	15, 19
12.	Country Valley Foods Limited	6, 10, 15, 19
13.	R B Elliott & Son	10, 19
14.	Evans and Son	1, 3, 19
15.	Farmers Union of Wales	8, 10, 14, 15
16.	Hybu Cig Cymru – Meat Promotion Wales	No comments
17.	Tom Lang Limited	10, 19
18.	Llechwedd Meats	19
19.	Melton Meat Limited	1, 2, 15, 19
20.	C. S. Morphet & Sons Limited	10, 19
21.	Mutchmeats Limited	15,19
22.	National Beef Association	10, 14, 15, 17
23.	National Farmers Union	6, 9, 10, 14, 15, 17
24.	National Farmers Union – Cymru	10, 14, 15
25.	W Nixon & Sons Limited	14, 19
26.	J V Richards (Rietfontein) Limited	9, 10,15
27.	Scottish Association of Meat Wholesalers*	14, 15, 16, 17
28.	C Snell Wholesale	10, 15, 19
29.	Summers Poultry Products Limited	10, 19
30.	Robert G. Tuckey	10, 14, 19
31.	Union of Orthodox Hebrew Congregations	5, 10, 11, 12, 13
32.	Vegetarian Economy & Green Agriculture	18
33.	R E Williams & Sons	6, 10, 15, 19
34.	Details withheld	7, 10

\* Joint response

## Summary: Intervention & Options

<b>Department /Agency: Food Standards Agency</b>	<b>Title: Impact Assessment of measures to increase charges for meat hygiene and animal welfare official controls carried out in approved meat establishments from 31 March 2008.</b>	
<b>Stage: Final Proposal</b>	<b>Version: Number 1</b>	<b>Date: 15 February 2008</b>
<b>Related Publications:</b>		

### Available to view or download at:

<http://www.food.gov.uk/consultations/>

**Contact for enquiries:** Emma Peleshok

**Telephone:** 01904 455514

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

The Government charges businesses in respect of the cost of the meat hygiene and animal welfare at slaughter official controls that they receive. The cost of the controls has been increasing and the proportion of the cost charged to industry has fallen substantially since the present charging system was introduced in 2001. There is now a need to reduce substantially the cost of the controls (work is taking place) and for businesses to pay a greater proportion of the cost, in line with Government cost-sharing policy.

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

To increase charge rates to approved meat plants for meat hygiene and animal welfare at slaughter official controls by 8% (approximately 5% above inflation) from the start of the 2008/09 financial year. This is intended to start to redress the cost-sharing balance for this work in 2008/09 by transferring approximately £1.5 million of the cost of controls to businesses. This would reduce the cost to taxpayers to approximately £32 million out of a total cost of £58 million.

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

1. Do nothing. 2. Increase charge rates by inflation only. 3. Increase the majority of charge rates by 8%. 4. Increase charge rates by a greater amount.

After taking account of consultation responses, option 3 is preferred as it will start to redress the cost-sharing balance for this work in 2008/09, leaving further increases to be considered with regard to planned reductions in the overall costs of the controls.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? June 2008

### **Ministerial/CEO Sign-off** For final proposal/implementation impact Assessments:

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister/Chief Executive\*:

*Dawn Primarolo* .....Date: 20th February 2008

\* for Impact Assessments undertaken by non-ministerial departments/agencies and NOT being considered by Parliament

## Summary: Analysis & Evidence

Policy Option: 3

Description: increase time costs hourly rates and standard charge rates by 8% (approximately 5% plus inflation).

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups' Red meat establishments £1,120k, poultry establishments £350k, game handling establishments £2k and cutting plants £31k (GB data).
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	<b>£ Nil</b>		
	<b>Average Annual Cost</b> (excluding one-off)		
	<b>£ 1,503,000</b>	<b>Total Cost (PV)</b>	<b>£ 1,503,000</b>
Other <b>key non-monetised costs</b> by 'main affected groups'			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' Reduced cost to taxpayers.
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ Nil</b>		
	<b>Average Annual Benefit</b> (excluding one-off)		
	<b>£ 1,503,000</b>	<b>Total Benefit (PV)</b>	<b>£ 1,503,000</b>
Other <b>key non-monetised benefits</b> by 'main affected groups'			

### Key Assumptions/Sensitivities/Risks

IA based on hours worked and on actual throughput data to which time costs hourly rates and standard charge rates relate. It is assumed that the hours/throughput data will remain constant.

Price Base Year: <b>2007</b>	Time Period Years: <b>one</b>	<b>Net Benefit Range</b> (NPV) <b>£ 0 (costs transfer)</b>	<b>NET BENEFIT</b> (NPV Best estimate) <b>£</b>	
What is the geographic coverage of the policy/option?			UK	
On what date will the policy be implemented?			31/03/2008	
Which organisation(s) will enforce the policy?			FSA (MHS GB)/DARD(NI)	
What is the total annual cost of enforcement for these organisations?			No change	
Does enforcement comply with Hampton principles?			Yes	
Will implementation go beyond minimum EU requirements?			Yes	
What is the value of the proposed offsetting measure per year?			£ N/A	
What is the value of changes in greenhouse gas emissions?			£ N/A	
Will the proposal have a significant impact on competition?			No	
Annual cost (£-£) per organisation (excluding one-off)	Micro 393	Small 2,981	Medium 9,501	Large 23,418
Are any of these organisations exempt?	No	No	N/A	N/A
<b>Impact on Admin Burdens Baseline</b> (2005 Prices)			(Increase - Decrease)	
Increase of	£ Negligible	Decrease of	£ Nil	<b>Net Impact</b> £ Negligible

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



## Evidence Base (for summary sheets)

Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form. Click once on the grey area below and type. Format using EB styles from the toolbar above.

### Introduction

1. The EC OFFC Regulation<sup>2</sup> requires that charges be made to industry for the cost of meat hygiene and animal welfare at slaughter official controls (referred to as meat hygiene official controls hereafter). Those charges must be, in general, no more than actual costs and no less than the amount calculated from specified minimum rates per animal or per tonne of meat. However, the cost of the controls has been increasing and the proportion of costs charged to industry has fallen substantially since the present charging system was introduced in 2001. There is now a need to reduce substantially the cost of the controls (work is taking place) and for businesses to pay a greater proportion of the cost, in line with Government cost-sharing policy.

### The proposals

2. It is proposed to increase most meat hygiene official controls charge rates to the operators of approved meat businesses by 8% above the levels applicable between 31 December 2007 and 30 March 2008, from 31 March 2008. The increase would apply to all time costs hourly rates and to most standard (throughput) charge rates. No changes are proposed to the method of calculating the charges whereby food business operators (FBOs) pay the lower of time costs and throughput charges. A proposed Statutory Instrument titled the Meat (Official Controls Charges) (England) Regulations 2008 is needed to implement this.
3. The objectives of the proposed regulations are in England to:
  - i. continue to contain provisions for the setting of meat hygiene time costs hourly rates for official controls inspectors, which will enable them to be increased by around 8%; and
  - ii. increase current meat hygiene standard charge rates per type of animal and per tonne of meat that are specified in legislation by 8% from 31 March 2008, except for those rates that were increased to the minima that the EC OFFC Regulation requires by 1 January 2008 (see paragraphs 4 and 7 below). The proposed regulations do not increase further rates that were increased by more than 8% on 31 December 2007 to reach the OFFC minima and the rate for adult bovines, which was increased by 6.2% to reach the OFFC minimum, will be increased by a further 1.8% (i.e. 8% in total).

The proposed regulations will apply in England only. Equivalent legislation is proposed in Scotland, Wales and Northern Ireland.

4. As indicated in paragraph 3, some standard charge rates were increased to the minima that the EC OFFC Regulation requires. This requirement was implemented on 31 December 2007 by the Meat (Official Controls Charges) (England) (No.2) Regulations 2007 (the No 2 Regulations), and by equivalent regulations in Scotland, Wales and Northern Ireland, on which public consultation took place recently.
5. This IA sets out the estimated effects in Great Britain (GB) of the proposed regulations in relation to the current time costs hourly rates and of the standard charge rates specified in the No.2 Regulations 2007 and by those of the equivalent regulations in Scotland and Wales. The position is similar in Northern Ireland. In GB, the charges are paid by FBOs to the Meat Hygiene Service (MHS), an Executive Agency of the Food Standards Agency, and the effects of the policy are assessed on a GB basis in this Impact Assessment (IA) unless otherwise stated.

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<sup>2</sup> Regulation (EC) No 882/2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and welfare rules.

## Time costs hourly rates

6. Due to policy decisions in previous years, time costs hourly rates are, depending of the type of staff concerned, currently 20% to 30% below what they need to be to recover the cost of delivering the official controls to which they relate. The proposal to increase 2008/09 time costs hourly rates by 8% (approximately 5% plus inflation) would reduce this deficit to 15% to 25% and would be an important step in narrowing the gap between the cost of controls and the charges for those controls. No changes would be needed to the No 2 Regulations to implement this: it is sufficient for the proposed Statutory Instrument to contain the same provisions. The proposed time costs hourly rates for meat hygiene and animal welfare official controls from 31 March 2008, are shown below.

**Table 1: proposed time costs hourly rates from 31 March 2008**

	<b>2007/08</b>	<b>2008/09</b>
<b>Inspector</b>	<b>£ per hour</b>	<b>£ per hour</b>
Normal time	20.80	22.50
Time and a half	31.20	33.75
Double time / Bank Holiday	41.60	45.00
<b>Official Veterinarian (OV)</b>		
Normal Time	34.00	36.70
Overtime Rate	51.00	55.05

## Standard charge rates

7. Due to constraints of EC law, it was not possible to increase standard charge rates from the time that the present charging system was introduced in 2001 until 1 January 2007 when the EC OFFC Regulation started to apply. This change to EC law allowed 2007/08 rates to be increased by 3.5% to cover inflation and the opportunity is now being taken to increase most standard charge rates by the same amount as time costs hourly rates (approximately 5% more than inflation) as it is the policy of the FSA Board that FBOs should be charged an increased proportion of the costs of carrying out these official controls. This will mean that the ratio of businesses that pay time costs and standard rates charges would be broadly that which applies at present.
8. As indicated in paragraph 3ii above, the position is complicated by the fact that some standard charge rates were increased to the minima required by the EC OFFC Regulation by the No 2 Regulations from 31 December 2007. In view of this, the proposed regulations will from 31 March 2008:
- increase the rate for bovine animals aged 8 months or more at slaughter a further 1.8% above the current rate per animal, calculated as follows: pre December 2007 rate = £3.1806; rate from 31 December 2007 = £3.3788 (+6.2%); rate from 31 March 2008 = £3.4350 (8% above the pre-December 2007 rate); and
  - apply no further increase to the 31 December 2007 rates in the No 2 Regulations for the types of animal listed in Table 2.

**Table 2**

	Type of Animal	Pre-31/12/07 rate per animal	31/12/07 rate per animal	Proposed change
1.	Turkeys weighing less than 2kg	£0.0071	£0.0169	+138.0%
2.	Turkeys weighing 2 kg or more (except those that are adult and weigh at least 5kg)	£0.0142	£0.0169	+19.0%
3.	Boars weighing less than 25kg	£0.3534	£1.0136	+186.8%
4.	Boars weighing 25kg or more	£0.9189	£1.0136	+10%
5.	Ruminants weighing less than 12kg	£0.1237	£0.3379	+173.2%
7.	Ruminants weighing 12kg to 18kg	£0.2474	£0.3379	+36.6%

9. The effect of retaining the 31 December 2007 rates for the types of animal listed in Table 2 above will be that they will remain at the EC minima. In addition, some other rates (e.g. for bovine animals aged 8 months or more at slaughter and ruminants (mainly deer) weighing more than 18kg) would be only a little above the minima. To ensure continued compliance with the EC OFFC regulation, provision is made in the proposed regulations for the pound Sterling rates for 2009 to be if necessary increased to equate to the OFFC minima using the Euro/£ exchange rate published in the C Series of the Official Journal of the EU on the first working day of September 2008. There is no provision for subsequent years as the proposed regulations include a "sunset clause" whereby they will cease to have effect no later than the end of 2009 (when they will be replaced by a further set of regulations to ensure continued compliance with EC law).

### Other information

10. The changes to the No 2 Regulations from 31 March 2008 are set out in the Table in the attached Annex. They will affect all slaughterhouses, game handling establishments and cutting plants.
11. All operators will continue to pay the lower of time costs or standard charges.
12. Draft regulations to achieve this were issued with the draft of this IA for public consultation on 14 November 2007.
13. The MHS will remain responsible in GB for administering the meat hygiene charging provisions set out in the proposed regulations and for their enforcement, for sanctions and for monitoring. The total cost of this work is estimated to be £1.6 million per annum, which will be unchanged by the proposed regulations. The Department of Agriculture and Rural Development (DARD) will continue to have operational responsibility for the equivalent charges regulations applicable in Northern Ireland.

### Consultation

14. Around 100 stakeholders in Great Britain were consulted about the proposals, including industry representative organisations. In addition, around 900 operators of approved slaughterhouses, game handling establishments and meat cutting businesses were alerted to the consultation and given the opportunity to respond to it, either directly or via a representative organisation.
15. The consultation followed the Cabinet Office Code of Practice, although an eight-week consultation period proved to be necessary, instead of the usual 12 weeks, to ensure that revised charge rates could take effect from the start of the 2008/09 financial year. None of the FBOs or stakeholder organisations commented on the reduced consultation period. Consultations were also carried out on equivalent proposals in Scotland, Wales and Northern Ireland.

16. A summary of the consultation comments and Departmental responses is published on the FSA Website at <http://www.food.gov.uk/consultations/consulteng/2007/mhscharges2008>.

## Options

17. The options considered were:

- i. Option 1 - do nothing;
- ii. Option 2 - increase charge rates by inflation only;
- iii. Option 3 - increase charge rates by 8% (approximately 5% plus inflation) compared to their pre 31 December 2007 levels\*;
- iv. Option 4 - increase charge rates by a greater amount\*\*.

\* That is, the standard charge rates applicable between 26 March and 30 December 2007 inclusive and the time costs hourly rates applicable between 28 May 2007 and 30 March 2008 inclusive.

\*\* The estimated effect of increasing time costs hourly rates and standard charge rates by 16% (approximately 13% plus inflation) is summarised on page 5.

## Analysis of options

18. The analysis is that:

- i. Option 1 (doing nothing) would not put the UK in breach of EC law but it would continue to widen the gap between the cost of controls and the charges for those controls. It would not take account of a need for businesses to pay a greater proportion of the cost to the Agency of delivering official controls at approved meat plants or of the funds available to the Agency, and it would not be in line with Government cost sharing policy. It would also be contrary to the Agency's general principle that it is inappropriate for it to subsidise the costs of official controls for business and that Agency expenditure should be aligned more closely with its strategic objectives.
- ii. Option 2 (increasing charges by inflation only) would maintain the gap between the cost of controls and the charges for those controls, but it would not take account of a need for businesses to pay a greater proportion of the cost to the Agency of delivering official controls at approved meat plants or of the funds available to the Agency, and it would not be in line with Government cost sharing policy. It would also be contrary to the Agency's general principle that it is inappropriate for it to subsidise businesses and that expenditure should be aligned more closely with its strategic objectives.
- iii. Option 3 (increasing charges by 8% compared to their pre 31 December 2007 levels) would begin to narrow the gap between the cost of controls and the charges for those controls. It would take some account of a need for businesses to pay a greater proportion of the cost to the Agency of delivering official controls at approved meat plants and of the funds available to the Agency. It would also be in line with Government cost sharing policy and would go some way towards meeting the Agency's general principle that it is inappropriate for it to subsidise businesses and that expenditure should be aligned more closely with its strategic objectives. In addition, this option takes account of increases to some throughput rates from 31 December 2007 that were needed to bring them to the minima required by the EC OFFC Regulation.
- iv. Option 4 (increasing charges by a greater amount) has the same advantages as Option 3 but it would take more account of a need for businesses to pay a greater proportion of the cost to the Agency of delivering official controls at approved meat plants and of the funds available to the Agency. It would also go further towards meeting the Agency's general principle that it is inappropriate for it to subsidise businesses and that expenditure should be aligned more closely with its strategic objectives. It would, however, be less affordable to businesses generally. In addition, whilst further increases in charging rates (above the 8% proposed for 2008/09) will be required

beyond 2008/09, regard will need to be had to the achievement of the planned reductions in overall costs of controls in proposing the increased level of charges.

After taking account of comments in response to consultation on the proposals, it was decided, for the reasons outlined in the summary at Annex B, that Option 3 should be implemented. A Summary: Analysis and Evidence of this proposal can be found at page 2 of this IA.

## **Costing of options**

### **Impact on red meat slaughterhouses**

19. Red meat slaughterhouses will be affected by an 8% increase in both time costs hourly rates and standard charge rates, except that:
  - i. the standard charge rate for adult bovines will increase by 1.8% only (this to take account of the 6.2% increase that came into effect on 31 December 2007);
  - ii. the standard charge rates for boars and for ruminants (other than bovines, sheep and goats) weighing no more than 18kg would not be increased (this is to take account of the greater than 8% increases that came into effect on 31 December 2007).
20. The total charge for the red meat slaughterhouse sector is estimated to increase by £1.12m per annum or 5.8%, which is significantly below 8% because of the relatively small rise in the standard rate for adult bovines. The percentage increase in the charge is fairly constant across plant size categories. However, the effect on large plants is slightly greater than on other plants because some of them do not benefit from the relatively lower increase in the standard rate for adult bovines (due to their specialisation in the slaughter of pigs/sheep, or the fact that they are charged time costs).
21. The impact of the charge rate increases on profitability in the sector is estimated to be small, as the average profit margin would decrease by an estimated 0.01% to 0.03%, assuming that the abattoir sector would be able to transfer two thirds of the increase in charge to primary producers. However, the small decrease in profitability would worsen the situation of a sector that is already characterised by low profitability (average profit margin in a studied sample of plants is 1.21%).

**/Table 3: estimated increase in hygiene charges paid by red meat slaughterhouses in GB**

**Table 3: estimated increase in hygiene charges paid by red meat slaughterhouses in GB<sup>3</sup>**

	Plant type <sup>4</sup>				
	Micro	Small	Medium	Large	All
	74 plants	74 plants	74 plants	74 plants	296 plants
<b>MHS Charge 2008Q1 (annualised)<sup>5</sup></b>					
Total (£k)	57	432	2,817	16,047	19,353
Average per plant (£k)	0.8	5.8	38.1	216.9	65.4
Average per animal unit (AU) (£)	2.2	2.3	2.2	2.0	2.0
Number of plants charged time cost	0	0	0	20	20
<b>MHS charge 2008/9 (8% increase)</b>					
Total (£k)	60	454	2,949	17,008	20,472
Average per plant (£k)	0.8	6.1	39.9	229.8	69.2
Average per animal unit (£)	2.3	2.4	2.3	2.1	2.2
Number of plants charged time cost	0	0	0	18	18
<b>Increase in charge over 2008Q1 baseline</b>					
Total (£k)	2	22	132	961	1,118
Average per plant (£k)	0.03	0.30	1.79	12.99	3.78
Percentage increase	4.5%	5.2%	4.7%	6.0%	5.8%

**Table 4: estimated impact of proposals on profit of red meat slaughterhouses<sup>6</sup>**

Profit expressed using 2005/6 prices	Plant type <sup>7</sup>				
	Micro	Small	Medium	Large	All
<b>Basic details</b>					
Number of firms in sample	4	10	34	30	78
Maximum throughput possible in this band (AUs)	895	6,561	31,638	386,447	N/A
<b>2008Q1</b>					
Average pre-tax profit (£k)	-163.06	39.24	25.25	384.51	155.56
Pre-tax profit margin	-28.75%	2.23%	0.46%	1.42%	1.19%
Hygiene charge as percentage of pre-tax profit	-0.82%	14.36%	167.38%	49.22%	59.14%
Number of firms with negative profit	3	4	14	6	27
<b>2008/9 (8%)</b>					
Average pre-tax profit (£k)	-163.07	39.19	24.90	382.521	154.52
Pre-tax profit margin	-28.75%	2.23%	0.45%	1.42%	1.18%
Hygiene charge as percentage of pre-tax profit	-0.83%	14.74%	173.82%	51.32%	61.56%
Number of firms with negative profit	3	4	14	7	28

<sup>3</sup> Due to roundings, the numbers do not necessarily calculate to the figures shown.

<sup>4</sup> 1. The four size categories of plants are based on annual throughput quartiles. Micro plants process fewer than 895 Animal Units (AUs), small plants process between 895 and 6,561 AUs, medium-sized plants process between 6,562 and 32,613 AUs, and large plants process more than 32,613 AUs.

2. **Please note that the annual cost estimates in the Summary on pages 2 to 5** relate to the standard definitions of micro = up to 10 staff, small = 11–50 staff, medium = 51–250 staff and large = more than 250 staff.

3. **The Summary figures** should be treated with caution, however, because they reflect the situation of red meat slaughterhouses only, as employment data for the other types of plants is not available. In addition, the figures were estimated from employment information for 27 medium-sized and large firms, from which was inferred an average number of employees per Animal Unit (AU). This average was then applied to all plants to estimate the number of employees. This procedure is likely to over-estimate the number of micro and small firms (because those firms probably have relatively more employees per AU than larger ones, given the economies of scale in the sector). In addition, the figures could be misleading because, for example, cutting plants are numerous, but will be subject to much smaller increases in charge than suggested by the tables.

<sup>5</sup> The base-year charges to which this IA relates are intended to be in effect from 31 December 2007 to 30 March 2008 inclusive, i.e. for three months only. Estimated figures for that period have been multiplied by four to provide base-year data from which the estimated increase in charges have been derived.

<sup>6</sup> Due to roundings, the numbers do not necessarily calculate to the figures shown.

<sup>7</sup> See footnote 3, paragraph 1.

## Impact on poultry slaughterhouses

22. Poultry slaughterhouses will be affected by an 8% increase in both time costs hourly rates and standard rates, except that:
- the standard rate for turkeys weighing less than 2kg would not be increased because the rate was increased by more than 8% from 31 December 2007; and
  - the standard rate for young turkeys weighing 2kg or more and adult turkeys weighing less than 5kg would not be increased because the rate was increased by more than 8% from 31 December 2007.
23. The change in throughput rates for turkeys of different weights that took place on 31 December 2007 has not been included in the analysis, as MHS data currently does not record turkey throughput separately. In addition, it is not possible to establish from the data which businesses solely slaughter turkeys, as all poultry slaughterhouses may be approved to slaughter several species of birds. The simulation results therefore overestimate the charge increases, but the over-estimation is considered to be minimal as turkeys only account for 2% of all poultry slaughtered in the UK. With that caveat, the proposed 8% increase in standard and hourly rates will raise the total annual charge across the poultry sector by £350k, or 11.5%.
24. The reason that the annual charge is estimated to increase by a greater percentage than the increases to rates is because they would represent a greater proportion of official controls costs due to the way slaughterhouse staff costs enter the charge calculation<sup>8</sup>. The relative increase in charge does, however, vary with plant size, from 8% for micro plants to 11.6% for large plants. This is explained by the fact that large plants tend to employ more staff to do official controls work than small plants.

**Table 5: estimated increase in hygiene charges affecting poultry slaughterhouses in GB<sup>9</sup>**

	Plant type <sup>10</sup>				
	Micro	Small	Medium	Large	All
	28 plants	28 plants	28 plants	28 plants	112 plants
<b>MHS Charge 2008Q1 (annualised)<sup>11</sup></b>					
Total (£k)	7.8	42.1	286.8	2727.6	3064.3
Average per plant (£k)	0.3	1.5	10.2	97.4	27.4
Average per animal unit (AU) (£)	1.05	0.53	0.36	0.39	0.39
Number of plants charged time cost	0	0	0	0	0
<b>MHS charge 2008/9 (8% increase)</b>					
Total (£k)	8.4	45.4	318.7	3,044.9	3417.4
Average per plant (£k)	0.30	1.62	11.4	108.7	30.5
Average per animal unit (£)	1.13	0.57	0.40	0.43	0.43
Number of plants charged time cost	0	0	0	0	0
Number of plants with zero charge	11	13	9	2	35
<b>Increase in charge over 2008Q1 baseline</b>					
Total (£k)	0.6	3.2	31.9	317.3	353.1
Average per plant (£k)	0.02	0.11	1.14	11.33	3.15
Percentage increase	7.95%	7.63%	11.13%	11.63%	11.52%

<sup>8</sup> Businesses that employ staff to do official controls work are charged as follows:

Official controls cost (time-costs or as calculated from throughput rates) (A) less slaughterhouse staff cost to the business (B) = the official controls charge to the business (C). The proposed increases to A have been assumed to be greater than the likely increases to B, leading to an estimated 11.6% increase in official controls charges to large plants.

Illustrative example:	Official controls cost (A)	£100	+8%	£108
	Slaughterhouse staff cost (B)	£35	+3%	£36
	Official controls charge (C)	£65	10.7%	£72

<sup>9</sup> Due to roundings, the numbers do not necessarily calculate to the figures shown.

<sup>10</sup> See footnote 3, paragraph 1.

<sup>11</sup> See footnote 4.

## Impact on Game-Handling Establishments

25. Game-handling establishments will be affected by an 8% increase in both time cost hourly rates and standard rates, except that the standard charge rates for boars and for ruminants (mainly deer) weighing no more than 18kg will not be increased (this to take account of the greater than 8% increases that came into effect on 31 December 2007).
26. The assessment of the impact on game-handling establishments is based on MHS data for 2004/05, when there were 47 plants subject to charging in GB. The great majority of these were small in size and they paid an extremely small proportion of the total of MHS charges to the meat industry, approximately £40,000. This underlying position is considered to be substantially unchanged and the proposed 8% increase in charges would result in an estimated 5.6% increase in payments, costing a total of approximately £2,000. The less than proportional increase is because no increases are being proposed to the standard charge rates for boars and for ruminants weighing no more than 18kg.

**Table 6: estimated increase in hygiene charges paid by Game Handling Establishments in GB<sup>12</sup>**

	<b>GB</b>
<b>Number of establishments</b>	47
<b>MHS Charge 2008Q1 (annualised)<sup>13</sup></b>	
Total (£)	40,009
Average per plant (£)	851
Number of plants charged time cost	8
<b>MHS charge 2008/9 (8% increase)</b>	
Total (£)	42,260
Average per plant (£)	899.2
Number of plants charged time cost	8
<b>Increase in charge over 2008Q1 baseline</b>	
Total (£)	2,251
Average per plant (£)	47.90
Percentage increase	5.6%

## Impact on cutting plants

27. The impact on cutting plants has been estimated using data from April to August 2007, which takes account of the current audit-based official controls system that was introduced in January 2006 and of the abolition of an EC minimum charge rule<sup>14</sup> from January 2007. The implementation of the EC OFFC minimum standard charge rates on 31 December 2007 did not affect the rate that is charged per tonne of meat in the United Kingdom. As a result, the proposals involve the same percentage increase for hourly and standard rates. It follows that the relative increase in charge to the operators of cutting plants would be exactly equal to the proposed 8% increase in rates, i.e. the charge will increase by exactly 8%.
28. Table 7 reports an estimated 2007/08 charge of £384k derived from the data. It follows that an 8% increase in rates would raise the charge by £31k.

<sup>12</sup> Due to roundings, the numbers do not necessarily calculate to the figures shown.

<sup>13</sup> The base-year charges to which this IA relates are intended to be in effect from 31 December 2007 to 30 March 2008 inclusive, i.e. for three months only. Estimated figures for that period have been multiplied by four to provide base-year data from which the estimated increase in charges have been derived.

<sup>14</sup> The EC minimum charge rule specified that the charge to FBOs should not be lower than 45% of the charge calculated from standard (throughput) rates.



**Table 7: estimated charges for cutting plants (based on April to August 2007 data)<sup>15</sup>**

	Plant Type <sup>16</sup>				
	Micro	Small	Medium	Large	All
<b>Number of plants</b>	189	189	188	189	755
<b>MHS charge 2008Q1 (annualised)<sup>17</sup></b>					
Total (£k)	16.6	52.6	112.0	202.9	384.2
Average per plant (£k)	0.1	0.3	0.6	1.1	0.5
Number of plants charged time cost	71	82	144	184	481
<b>MHS charge 2008/9 (8% increase)</b>					
Total (£k)	17.9	56.8	121.0	219.1	414.9
Average per plant (£k)	0.1	0.3	0.6	1.2	0.6
Number of plants charged time cost	71	82	144	184	481
<b>Increase in charge over 2008Q1 baseline</b>					
Total (£k)	1.3	4.2	9.0	16.2	30.7
Average per plant (£k)	0.01	0.02	0.05	0.09	0.04
Percentage increase	8.0%	8.0%	8.0%	8.0%	8.0%

## Impact on individual businesses

29. The impact of implementing the proposed increases to time cost hourly rates and standard charge rates will mean that the ratio of businesses that pay time costs and standard rates charges will be broadly that which applies at present. Businesses paying time costs will be charged 8% more per hour, but the total charge will continue to depend on the amount of chargeable work done. The impact on businesses paying standard rates charges will vary between businesses depending on the type and numbers of the animals or of the meat that they processed. The following table gives examples of how the standard charge rates will change and is provided to help FBOs assess the impact of the proposals on their business.

**Table 8: examples of current and proposed charges per 100 animals<sup>12</sup>**

	Proposed 31 December 2007 charge £ per 100 animals	Proposed charge £ per 100 animals from 31 March 2008	Increase	
			£ Per 100 animals	%
Bovine - adult	337.88	343.50	5.62	1.8% <sup>18</sup>
Bovine - young	176.70	190.84	14.14	8%
Sheep less than 12kg	12.37	13.36	0.99	8%
Sheep 12 –18kg	24.74	26.72	1.98	8%
Sheep over 18kg	35.34	38.17	2.83	8%
Pigs less than 25kg	35.34	38.17	2.83	8%
Pigs 25kg or more	91.89	99.24	7.35	8%
Boar less than 25kg	101.36	101.36	None	Nil
Boar 25kg or more	101.36	101.36	None	Nil
Other ruminants less than 18kg	33.79	33.79	None	Nil
Other ruminants 18kg or more	35.34	38.17	2.83	8%
All broilers	0.71	0.77	0.06	8%
Turkey less than 2kg	1.69	1.69	None	Nil
Turkey over 2kg, except as below	1.69	1.69	None	Nil
Turkey – adult 5kg or more	2.82	3.05	0.23	8%

## Risk, uncertainty and unintended consequences

30. The risk of increasing time costs hourly rates and most standard charge rates by 8% is considered to be low as this increase will apply throughout the UK. However, here is uncertainty as to whether the incidence of slow payments and bad debts might rise leading

<sup>15</sup> Due to roundings, the numbers do not necessarily calculate to the figures shown

<sup>16</sup> See footnote 3, paragraph 1.

<sup>17</sup> Due to roundings, the numbers do not necessarily calculate to the figures shown.

<sup>18</sup> The increase to adult bovines is a further 1.8% above the current rate per animal, calculated as follows: current rate = £3.1806; 31 December rate = £3.3788 (+6.2%); 31 March rate = £3.4350 (8% above the current rate).

to an increase in implementation costs. Implementation would be done using current systems and the risk of other unintended consequences is considered to be low.

### **Implementation**

31. The MHS will implement the proposals in GB (DARD in NI) in accordance with their usual procedures. This includes notifying FBOs of the increased charge rates that will affect them.

### **Monitoring**

32. The MHS will monitor the delivery of the proposal in GB (DARD in NI) in accordance with their usual procedures. The policy will be reviewed in June 2008 to establish its actual costs and benefits and the achievement of its desired objectives.

### **Enforcement**

33. The proposed regulations have been drafted, in accordance with Hampton principles. This applies, in particular, to the way that they have been drafted to be easily understood and easily implemented, the information requirements that will be made of FBOs, the sanctions that may be applied and the easy availability of free advice about charges.

### **Sanctions**

34. The proposed regulations do not change the sanctions contained in the No 2 Regulations, which are considered to be proportionate and the minimum needed to enable the policy to be implemented effectively.

### **Compensatory simplification**

35. No opportunity to simplify or remove any existing requirements was identified.

### **Carbon Impact Assessment**

36. The proposals are unlikely to have any impact on emissions of greenhouse gases.

### **Competition Assessment**

37. The proposals are unlikely to affect significantly competition as all approved meat businesses will be affected by the generally applicable increase in time costs hourly rates and standard charge rates. Equivalent legislation has been proposed. All FBOs will continue to pay the lesser of the time costs or standard charges generated by their business.

### **Annual cost per organisation by size**

38. See Tables 3, 5 and 6 for the estimated annual cost for red meat slaughterhouses, game handling establishments and cutting plants. Insufficient turkey data is available to estimate the effect for poultry slaughterhouses by size.

### **Admin burdens**

39. The proposals will not lead to any changes to administrative burdens.

### **Small Firms Impact Test**

40. The operators of all approved meat businesses would continue to pay the lesser of time costs or standard rates charges. This arrangement was introduced to provide support to smaller plants as these gain the greatest benefit from being charged standard rates for their throughput of animals or meat.

**Table 9: examples of the effect of the proposed increase in standard rates charges per week for businesses with relatively low levels of throughput<sup>19</sup>.**

	No of animals		Charge from 31/12/07 <sup>#</sup> £		Proposed charge £		Increase £		Increase %	
	Micro	Small	Micro	Small	Micro	Small	Micro	Small	Micro	Small
<b>Slaughterhouse (mixed species)</b>										
Bovine adult	2	11	6.76	37.17	6.87	37.79	0.11	0.62	1.8%	1.8%
Sheep less than 12kg	2	11	0.25	1.36	0.27	1.47	0.02	0.11	8.0%	8.0%
Sheep 12 – 18kg	2	11	0.49	2.72	0.53	2.94	0.04	0.22	8.0%	8.0%
Sheep over 18kg	7	55	2.47	19.44	2.67	20.99	0.20	1.55	8.0%	8.0%
Pigs less than 25kg	7	55	2.47	19.44	2.67	20.99	0.20	1.55	8.0%	8.0%
Pigs 25kg or more	15	110	13.78	101.08	14.89	109.16	1.11	8.08	8.0%	8.0%
Boars less than 25kg	2	11	2.03	11.15	2.03	11.15	0	0	Nil	Nil
Boars 25kg or more	2	11	2.03	11.15	2.03	11.15	0	0	Nil	Nil
Deer less than 18kg	2	11	0.68	3.72	0.68	3.72	0	0	Nil	Nil
Deer 18kg or more	3	22	1.06	7.77	1.15	8.40	0.09	0.63	8.0%	8.0%
Total charge			32.02	215.00	33.79	227.76	1.77	12.76	5.5%	5.9%
<b>Poultry slaughterhouse</b>										
Broilers	750	8,500	5.33	60.35	5.78	65.45	0.45	5.1	8.0%	8%
Turkeys, less than 2kg	50	550	0.84	9.30	0.84	9.30	0	0	Nil	Nil
Turkey, 2kg or more <sup>20</sup>	500	5,500	8.45	92.95	8.45	92.95	0	0	Nil	Nil
Turkey, adult 5kg or more	50	550	1.41	15.51	1.52	16.78	0.11	1.27	8.0%	8%
Total charge			16.03	178.11	16.59	184.48	0.56	6.37	3.5%	3.6%
<b>Game-handling establishment</b>										
Small game birds, less than 2kg	5	170	0.04	1.21	0.04	1.31	0	0.10	8.0%	8.0%
Small ground game, 2kg or more <sup>21</sup>	1	35	0.01	0.50	0.02	0.54	0.01	0.04	8.0%	8.0%
Boars less than 25kg	1	2	1.01	2.03	1.01	2.03	0	0	Nil	Nil
Boars 25kg or more	1	2	1.01	2.03	1.01	2.03	0	0	Nil	Nil
Deer less than 18kg	1	20	0.34	6.76	0.34	6.76	0	0	Nil	Nil
Deer 18kg or more	1	20	0.35	7.07	0.38	7.63	0.03	0.56	8.0%	8%
Total charge			2.76	19.60	2.80	20.30	0.04	0.70	1.4%	3.6%
<b>Cutting plant</b>										
	<b>Tonnes</b>									
All Meat	2	6	4.24	12.72	4.58	13.74	0.34	1.02	8.0%	8.0%

<sup>#</sup> No 2 Regulations.

## Sustainable development/environmental/health

41. The proposed regulations will have little if any impact on the delivery of the Government's five principles of sustainable development, on the environment or in relation to public health.

## Race/disability/gender equality

42. We do not envisage an impact.

## Human rights

43. We do not envisage an impact.

## Rural proofing

44. The proposed increases in charge rates will mainly affect rural areas, as they are where many slaughterhouses, game handling establishments and cutting plants are located. However, the proposals are likely to have little impact on the rural economy as the increased charges will affect all similar businesses and the present rural/urban balance seems likely to be unaffected.

<sup>19</sup> Due to roundings, the numbers do not necessarily calculate to the figures shown.

<sup>20</sup> Except those which are adult and weight 5kg or more.

<sup>21</sup> Except those which are adult and weight 5kg or more.

## Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

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

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

## EU Annex

Use this space to set out BRIEFLY the background and current EU position. Click once on the grey area below and type. Format using EB styles from the toolbar above

The EC requirements for charges for official controls were previously contained in Council Directive 85/73/EEC as last amended by Directive 96/43/EEC (“the Charging Directive”).

The EC OFFC Regulation superseded the Directive and requires that, from 1 January 2007, Member States must charge no more than actual costs and, other than in specified cases, no less than specified minimum Community fees for relevant official controls.

As an alternative, the OFFC Regulation permitted Member States to retain the Community fees set out in the Charging Directive until 1 January 2008, though as minima rather than standard amounts.

England and the rest of the UK made use of this derogation. In England, standard charge rates that had been below the EC minima were increased to the EC minima on 31 December 2007. The increased rates were implemented by the Meat (Official Controls Charges) (England) (No.2) Regulations 2007 and by equivalent regulations in Scotland and Wales. The position is similar in Northern Ireland, except that it is intended to implement the required minima there from 1 January 2008.

## Annexes

"< Use this space to explain your consideration of AT LEAST the following Specific Impact Tests>"

**Competition Assessment**

See paragraph 34

**Small Firms Impact Test**

See paragraph 37

**Sustainable development**

See paragraph 38

**Race equality issues**

See paragraph 39

**Gender equality issues**

See paragraph 39

**Disability equality issues**

See paragraph 39

Directive 85/73 categories	Current	OFFC categories	EU min	Proposed UK categories	31/12/07	Change	31/03/08	Change
Type of animal	Rate €£	Type of animal	Rate €£	Type of animal	Rate €£	%	Rate £	%
Bovine animals		Beef meat		Bovine animals				
- aged less than 6 weeks at slaughter	€2.6213 £1.7670 <sup>1</sup>	- young bovine animals	€2.0000 £1.3482 <sup>1</sup> £1.3515 <sup>2</sup>	- aged less than 8 months at slaughter	£1.7670	0.0	£1.9084	+ 8.0
- aged 6 weeks or more at slaughter	€4.7183 £3.1806	- adult bovine animals	€5.0000 £3.3705 £3.3788	- aged 8 months or more at slaughter	£3.3788	+6.2	£3.4350	+1.8
Equidae and other solipeds	€4.6134 £3.1099	Solipeds and equidae	€3.0000 £2.0223 £2.0272	Solipeds and equidae:	£3.1099	0.0	£3.3587	+ 8.0
Pigs of a carcass weight		Pigmeat: animals of a carcass weight		Pigs, carcass weight				
- less than 25kg	€0.5243 £0.3534	- less than 25kg	€0.5000 £0.3371 £0.3379	- less than 25 kg	£0.3534	0.0	£0.3817	+ 8.0
- greater than or equal to 25 kg	€1.3631 £0.9189	- equal to or greater than 25kg	€1.0000 £0.6741 £0.6758	- equal to or greater than 25 kg	£0.9189	0.0	£0.9924	+ 8.0
Sheep and goats of a carcass weight		Sheepmeat and goatmeat: animals of carcass weight		Sheep and goats, carcass weight				
- less than 12 kg	€0.1835 £0.1237	- less than 12kg	€0.1500 £0.1011 £0.1014	- less than 12 kg	£0.1237	0.0	£0.1336	+ 8.0
- between 12 and 18 kg inclusive	€0.3670 £0.2474	- equal to or greater than 12kg	€0.2500 £0.1685 £0.1689	- between 12 and 18 kg	£0.2474	0.0	£0.2672	+ 8.0
- greater than 18 kg	€0.5243 £0.3534			- greater than 18 kg	£0.3534	0.0	£0.3817	+ 8.0

Notes

<sup>1</sup> Converted throughout to £ at the currently applicable €£ exchange rate as published in the Official Journal of the European Union on 1 September 2006 (0.6741).

<sup>2</sup> Converted throughout to £ at the €£ exchange rate published in the Official Journal of the European Union on 4 September 2007 (0.67575).

Directive 85/73 categories	Current	OFFC categories	EU min	Proposed UK categories	31/12/07	Change	31/03/08	Change
Type of animal	Rate €£	Type of animal	Rate €£	Type of animal	Rate €£	%	Rate £	%
<b>Poultry</b> , rabbits, small game birds and ground game		Poultrymeat, of which		Poultry				
- <b>all broilers; all cast hens; other poultry</b> , rabbits, small game birds and ground game <b>weighing less than 2 kg</b>	€0.0105 £0.0071	- poultry of genus Gallus and guinea fowl	€0.0050 £0.0034 £0.0034	- all broilers; all cast hens and other poultry, weighing less than 2 kg	£0.0071	0.0	£0.0077	+ 8.0
- <b>poultry (not being broilers or cast hens)</b> , rabbits, small game birds and ground game <b>weighing at least 2 kg (except those which are adult and weigh at least 5 kg)</b>	€0.0210 £0.0142			- poultry (not being broilers or cast hens), weighing at least 2 kg (except those which are adult and weigh at least 5 kg)	£0.0142	0.0	£0.0153	+ 8.0
- <b>poultry (not being broilers or cast hens)</b> , rabbits, small game birds and ground game <b>(all being adult) and weighing at least 5 kg</b>	€0.0419 £0.0282			- poultry (not being broilers or cast hens) being adult and weighing at least 5 kg	£0.0282	0.0	£0.0305	+ 8.0
<b>Poultry</b> , rabbits, small game birds and ground game		- duck and geese	€0.0100 £0.0067 £0.0068	Duck and geese				
- all broilers; all cast hens; <b>other poultry</b> , rabbits, small game birds and ground game <b>weighing less than 2 kg</b>	€0.0105 £0.0071			- weighing less than 2 kg	£0.0071	0.0	£0.0077	+ 8.0
- <b>poultry (not being broilers or cast hens)</b> , rabbits, small game birds and ground game <b>weighing at least 2 kg (except those which are adult and weigh at least 5 kg)</b>	€0.0210 £0.0142			- weighing at least 2 kg (except those which are adult and weigh at least 5 kg)	£0.0142	0.0	£0.0153	+ 8.0
- <b>poultry (not being broilers or cast hens)</b> , rabbits, small game birds and ground game <b>(all being adult) and weighing at least 5 kg</b>	€0.0419 £0.0282			- adult and weighing at least 5 kg	£0.0282	0.0	£0.0305	+ 8.0



Directive 85/73 categories	Current	OFFC categories	EU min	Proposed UK categories	31/12/07	Change	31/03/08	Change
Type of animal	Rate €£	Type of animal	Rate €£	Type of animal	Rate €£	%	Rate £	%
<b>Poultry</b> , rabbits, small game birds and ground game		- turkeys	€0.0250 £0.0169 £0.0169	Turkeys				
- all broilers; all cast hens; <b>other poultry</b> , rabbits, small game birds and ground game <b>weighing less than 2 kg</b>	€0.0105 £0.0071			- weighing less than 2 kg	£0.0169	+138	£0.0169	0%
- <b>poultry</b> (not being broilers or cast hens), rabbits, small game birds and ground game <b>weighing at least 2 kg (except those which are adult and weigh at least 5 kg)</b>	€0.0210 £0.0142			- any weight (except those which are adult and weigh at least 5 kg)	£0.0169	+19	£0.0169	0%
- <b>poultry</b> (not being broilers or cast hens), rabbits, small game birds and ground game ( <b>all being adult</b> ) and <b>weighing at least 5 kg</b>	€0.0419 £0.0282			- adult and weighing at least 5 kg	£0.0282	0.0	£0.0305	+ 8.0
<b>Poultry</b> , <b>rabbits</b> , small game birds and ground game			€0.0050 £0.0034 £0.0034	Farmed rabbits				
- all broilers; all cast hens; other poultry, <b>rabbits</b> , small game birds and ground game <b>weighing less than 2 kg</b>	€0.0105 £0.0071			- weighing less than 2 kg	£0.0071	0.0	£0.0077	+ 8.0
- poultry (not being broilers or cast hens), <b>rabbits</b> , small game birds and ground game <b>weighing at least 2 kg (except those which are adult and weigh at least 5 kg)</b>	€0.0210 £0.0142			- weighing at least 2 kg (except those which are adult and weigh at least 5 kg)	£0.0142	0.0	£0.0153	+ 8.0
- poultry (not being broilers or cast hens), <b>rabbits</b> , small game birds and ground game ( <b>all being adult</b> ) and <b>weighing at least 5 kg</b>	€0.0419 £0.0282			- adult and weighing at least 5 kg	£0.0282	0.0	£0.0305	+ 8.0

Directive 85/73 categories	Current	OFFC categories	EU min	Proposed UK categories	31/12/07	Change	31/03/08	Change
Type of animal	Rate €£	Type of animal	Rate €£	Type of animal	Rate €£	%	Rate £	%
		<b>Game processing houses</b>		<b>Game processing houses</b>				
Poultry, rabbits, <b>small game birds</b> and ground game		Small game birds	€0.0050 £0.0034 £0.0034	Small game birds				
- all broilers; all cast hens; other poultry, rabbits, <b>small game birds</b> and ground game <b>weighing less than 2 kg</b>	€0.0105 £0.0071			- weighing less than 2 kg	£0.0071	0.0	£0.0077	+ 8.0
- poultry (not being broilers or cast hens), rabbits, <b>small game birds</b> and ground game <b>weighing at least 2 kg (except those which are adult and weigh at least 5 kg)</b>	€0.0210 £0.0142			- weighing at least 2 kg (except those which are adult and weigh at least 5 kg)	£0.0142	0.0	£0.0153	+ 8.0
- poultry (not being broilers or cast hens), rabbits, <b>small game birds</b> and ground game <b>(all being adult) and weighing at least 5 kg</b>	€0.0419 £0.0282			- adult and weighing at least 5 kg	£0.0282	0.0	£0.0305	+ 8.0
Poultry, rabbits, small game birds and <b>ground game</b>		Small ground game	€0.0100 £0.0067 £0.0068	Small ground game				
- all broilers; all cast hens; other poultry, rabbits, small game birds and <b>ground game weighing less than 2 kg</b>	€0.0105 £0.0071			- weighing less than 2 kg	£0.0071	0.0	£0.0077	+ 8.0
- poultry (not being broilers or cast hens), rabbits, small game birds and <b>ground game weighing at least 2 kg (except those which are adult and weigh at least 5 kg)</b>	€0.0210 £0.0142			- weighing at least 2 kg (except those which are adult and weigh at least 5 kg)	£0.0142	0.0	£0.0153	+ 8.0
- poultry (not being broilers or cast hens), rabbits, small game birds and <b>ground game (all being adult) and weighing at least 5 kg</b>	€0.0419 £0.0282			- adult and weighing at least 5 kg	£0.0282	0.0	£0.0305	+ 8.0

Directive 85/73 categories	Current	OFFC categories	EU min	Proposed UK categories	UK min	Change	31/03/08	Change
Type of animal	Rate €£	Type of animal	Rate €£	Type of animal	Rate €£	%	Rate £	%
Ostriches and other ratites	€1.3631 £0.9189	Ratites	€0.5000 £0.3371 £0.3379	Ratites	£0.9189	0.0	£0.9924	+ 8.0
		Land mammals		Land mammals:				
Pigs including <b>wild boar of a carcass weight</b>		- boar	€1.5000 £1.0112 £1.0136	- boars				
- less than 25kg	€0.5243 £0.3534			- less than 25kg	£1.0136	+187	£1.0136	0%
- greater than or equal to 25 kg	€1.3631 £0.9189			- greater than or equal to 25 kg	£1.0136	+10	£1.0136	0%
Ruminants not mentioned above of carcass weight		- ruminants	€0.5000 £0.3371 £0.3379	ruminants of carcass weight				
- less than 12 kg	€0.1835 £0.1237			- less than 12 kg	£0.3379	+173	£0.3379	0%
- between 12 and 18 kg	€0.3670 £0.2474			- between 12 and 18 kg	£0.3379	+37	£0.3379	0%
- greater than 18kg	€0.5243 £0.3534			- greater than 18kg	£0.3534	0.0	£0.3817	+ 8.0

Directive 85/73 categories	Current	OFFC categories	EU min	Proposed UK categories	UK min	Change	31/03/08	Change
Type of animal	Rate €£	Type of animal	Rate €£	Type of animal	Rate €£	%	Rate £	%
<b>Cutting plants</b>		<b>Cutting plants</b>		<b>Cutting plants</b>				
Meat brought into the plant or establishment to be cut up or boned there.	€3.1455	- beef, veal, pig, solipeds/ equidae, sheep and goatmeat	€2.0000	Meat brought into the plant or establishment to be cut up or boned there.	£2.1204	0.0	£2.2900	+ 8.0
	£2.1204	- poultry and farmed rabbit meat	€1.5000					
		- farmed and wild game meat	£1.0112					
		- small game birds and ground game	£1.0136					
		- ratites meat (ostrich, emu, nandou)	€3.0000					
		- boar and ruminants	£2.0223					
		£2.0272						
			€2.0000					
			£1.3482					
			£1.3515					