

Consultation on the proposed introduction of new fees for statutory services delivered by the Animal and Plant Health Agency (APHA)

Date: 26 October 2015





© Crown copyright 2014

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence v.2. To view this licence visit www.nationalarchives.gov.uk/doc/open-Government-licence/version/2/ or email PSI@nationalarchives.gsi.gov.uk

This publication is available at www.gov.uk/Government/publications

Any enquiries regarding this publication should be sent to us at:

chargingenquiries@apha.gsi.gov.uk

Overview

Intended audience	This is a public consultation and is open to anyone to respond.
National Coverage	England, Scotland and Wales
Purpose	This consultation seeks views on introducing new fees for statutory services delivered by APHA.
Duration	6 weeks
Contact	chargingenquiries@apha.gsi.gov.uk
Note	The proposals in this consultation are regarding only statutory services that were delivered by the former Animal Health and Veterinary Laboratories Agency (AHVLA). For correctness, the name of the new Agency (APHA) has been used where applicable.

Contents

Section 1 – About this consultation	1
Section 2 – Background information	3
Section 3 – Summary of statutory services	9
Section 4 – Timing for the proposed introduction of fees	19
Section 5 – Consultation	19
Annex 1 – Proposed schedule of fees – Animal By-Products	21
Annex 2 – Proposed schedule of fees – Animal Gatherings	24
Annex 3 – Proposed schedule of fees – Pet Passports	27
Annex 4 – Fee methodology	28

Section 1 - About this consultation

Topic of this consultation

1.1 This consultation covers proposals to introduce new fees for statutory services currently delivered by the Animal and Plant Health Agency (APHA) across England, Scotland and Wales.

Scope of this consultation

1.2 The principal purpose of this consultation is to seek views on proposals for introducing new fees to achieve Full Cost Recovery (FCR) for services which are currently provided free of charge and to seek further information on the impact of these proposed new fees on businesses, including small businesses (11-49 employees) and micro businesses (1-10 employees). The statutory services where the Agency is considering introducing fees are:

- Animal By-Products
- Animal Gatherings (England and Wales only)
- Pet Passports

Geographical coverage

1.3 Fees proposed for Animal By-Products and Pet Passports will apply in England, Scotland and Wales. Fees proposed for Animal Gatherings will apply in England and Wales only as alternative arrangements already apply in Scotland.

Audience

1.4 A list of stakeholders who have been invited to give their views has been published with this consultation. Other interested parties are welcome to submit comments.

Body responsible for consultation

1.5 This consultation is being undertaken by APHA in partnership with Defra, the Scottish Government and the Welsh Government.

Duration

1.6 The consultation started 26 October 2015 and will last 6 weeks until 7 December 2015.

How to respond or make an enquiry

1.7 To submit your consultation response, please complete the consultation questionnaire in one of the following ways:

Online - If you have access to the internet, the easiest way to complete the questionnaire is online, via the link <https://consult.defra.gov.uk/apha/apha-seeks-views-on-new-fees-for-statutory-servic>

Email – You may also email completed questionnaires to us at: chargingenquiries@apha.gsi.gov.uk

Paper - If you do not have internet or email access, or you wish to receive a paper copy of the questionnaire for any other reason, please write to us to request a copy at the address below:

Responses can be sent by email to chargingenquiries@apha.gsi.gov.uk or by posting to:

APHA Charging Project Team
Animal and Plant Health Agency
Spur 9, Block C
Government Buildings
Whittington Road
Worcester
WR5 2LQ

Responses should be received by 7 December 2015. Responses received after the closing date will not be considered.

After the consultation

1.8 In line with the Agency's policy of openness, at the end of this consultation period copies of the responses received will be published in a summary of the responses to this consultation. **If you do not consent to this, you must clearly request that your response be treated as confidential.**

1.9 Any confidentiality disclaimer generated by your IT system in email responses will not be treated as such a request. Respondents should also be aware that there may be circumstances in which the Agency will be required to communicate information to third

parties on request, in order to comply with its obligations under the Freedom of Information Act 2000.

Compliance with the Code of Practice on Consultation

1.10 This consultation is in line with the “Code of Practice on Consultations”¹. Please note that a consultation period of 6 weeks applies.

Section 2 – Background Information

Animal and Plant Health Agency

2.1 APHA is an Executive Agency of Defra and also works on behalf of the Scottish Government and the Welsh Government. We also provide services to the Food Standards Agency, other Government departments, the farming industry, international bodies and commercial customers worldwide. The Agency was formed on 1 October 2014, following the merger of Bee Inspectorate, Plant Health and Seeds Inspectorate, Plant Variety and Seeds Group and GM Inspectorate from the Food and Environment Research Agency (FERA) and Animal Health and Veterinary Laboratories Agency (AHVLA).

Stakeholder engagement and pre consultation work carried out prior to the formation of APHA on 1 October 2014 was conducted under the name of AHVLA.

2.2 APHA’s role is to safeguard animal health and welfare as well as public health, protect the economy and enhance food security through research, surveillance, inspection and disease eradication.

2.3 APHA primarily works to prevent, control and identify endemic, exotic, new and emerging animal and plant disease across Great Britain (GB) through inspection and surveillance work on farms, at markets, other livestock-related premises, and through specialist veterinary laboratory and scientific services.

2.4 APHA research and surveillance work forms an important part of the evidence base used to support policy-making throughout GB and abroad. We are also a key adviser to policy decisions taken within Defra, the Scottish Government and the Welsh Government.

2.5 APHA are responsible in GB for delivery of policies set by Defra, the Scottish Government and the Welsh Government for the prevention, control and eradication of notifiable disease, upholding public health on farms and maintaining the welfare of farmed livestock.

¹ <https://www.gov.uk/government/publications/consultation-principles-guidance>

APHA's range of functions includes:

- identifying and controlling endemic and exotic diseases and pests in animals, plants and bees, and surveillance of new and emerging pests and diseases
- scientific research in areas such as bacterial, viral, prion and parasitic diseases and vaccines, and food safety; and act as an international reference laboratory for many farm animal diseases
- ensuring high standards of welfare in farmed animals
- facilitating trade in animals and in products of animal origin
- protecting endangered wildlife through licensing and registration
- managing a program of apiary (bee) inspections, diagnostics, research and development, and training and advice
- regulating the safe disposal of animal by-products to reduce the risk of potentially dangerous substances entering the food chain

2.6 Many Agency activities relate to the delivery of statutory requirements and some end-users are already charged a fee for the provision of these services. Further details can be found at:

<http://webarchive.nationalarchives.gov.uk/20140707135733/http://www.defra.gov.uk/ahvla-en/tests-and-services/charges-for-ahvla-services/>

2.7 The HM Treasury guidance "Managing Public Money"² explains that it is UK Government policy to charge for many publicly provided goods and services. Charging for services relieves the general taxpayer of costs, so that they are properly borne by users who benefit from a service. This allows for a more equitable distribution of public resources and enables lower public expenditure and borrowing. Whilst APHA already charges businesses for some services, other services are not currently being charged to customers. This has resulted in a subsidy for users and a financial cost to the general taxpayer. It is necessary to remove the public subsidy and relieve the burden on the general taxpayer. The proposal therefore is to charge fees to those using the services set out in this consultation document to achieve full recovery of costs, in line with UK Government policy.

Business Efficiencies

2.8 For the areas in which the Agency is looking to introduce new charges for statutory services, we have worked collaboratively with stakeholders to enhance our processes to ensure they are as efficient as possible and deliver quality service improvements. Some of the enhancements are listed below.

The proposed introduction of new fees for statutory services is ongoing and has been accompanied by a review of current processes to identify efficiencies and improvements.

²Managing Public Money (July 2013) HM Treasury http://www.hm-treasury.gov.uk/d/mpm_whole.pdf

We introduced a risk-based approach to determining visit frequency to Animal By-Products premises, allowing us to focus visits in the areas that need them most and not over-burdening low risk operators.

Later this year, we are planning to make our ABP inspection forms available to operators online, via the internet. This will allow operators to check their own compliance, meaning that they should be fully compliant when the visit is conducted. This will help to reduce their risk score (which includes previous compliance) which, in turn could result in fewer visits.

We have increased our investment in staff training in order to improve service delivery to customers and as the first step in delivering work using the lowest effective grade.

2.9 Between April 2010 and March 2014 AHVLA delivered overall savings of over £46m against its baseline costs, which equates to savings of almost 20% in 4 years.

These savings have come from a variety of areas including:

- A reduction in staff of the equivalent of over 700 full time employees between April 2010 and March 2014 which is around 23% of the workforce. There will also be additional reductions to come in the next 2 years as the effects of the projects and reorganisations mentioned below progress through to delivery.
- “Administration and back office functions” costs have been reduced through the Agency’s efficiency programme to reduce its operating costs. This includes staffing reductions that have been made through several voluntary early release schemes.
- Additionally the creation and expansion of Specialist Service Centres (SSCs) has centralised certain administration functions (e.g. International Trade, Wildlife Licensing & Registration Service) within the Agency, improving service delivery to customers as well as delivering further headcount savings made through exit schemes.
- Restructuring several times to improve service delivery to customers, rationalising the number of operational regions in England, Wales and Scotland and the number of administrative teams to support that structure. Operational regions have reduced from 16 to 6 (Wales, Scotland, and England North, Midlands, South East and South West), with associated reductions in duplication of workloads and economies of scale in terms of cost savings.
- Vacating 15 properties in the last 3 years (from closure or moving into other shared offices). A significant review of its land and buildings requirement is being completed in conjunction with some of the Full Time Equivalent (FTE) staffing level reviews that are ongoing and will bear significant savings from the last quarter of 2014/15 and into future years.

- APHA continues to review its delivery models for the different functions that it delivers. Laboratory services have already been partly rationalised with the first phase being completed by March 2013. The delivery of scanning surveillance is also changing with the creation of a smaller footprint driven by the Surveillance 2014 project, which is a new surveillance animal disease system, and will further rationalise estates and centralise workloads to increase efficiencies.
- APHA is continuing to build up its 'Lean³ delivery' capability, which makes sure its business processes are as efficient as possible and has already refined delivery in several significant areas of the business. This work is continuing across the Agency as it prepares to deliver more services directly to end users.
- The Agency is notionally charged by Defra for IT infrastructure, support and service, as well as for Estates, Procurement, Legal and HR. These have been driven downwards and are expected to continue to contribute savings through Defra initiatives on the property and estates and IT front, and through decisions taken by APHA to decommission IT systems and vacate and free up additional estates.

2.10 As part of an ongoing programme of process improvement and efficiency savings, we will continue to consider ways of streamlining the services provided and charged for, with the aim of further reducing costs and limiting where possible any future fee increases and ensuring best value for service users.

Calculation of fees

2.11 The Agency is committed to improving the efficiency and effectiveness of service provision so that charges are lower or offer better value. This also includes designing a fair and transparent approach to charging for the travel time associated with delivery of those services. The charges detailed at Annexes 1–3 within this document reflect the best estimate of the full cost of providing each service. These charges include salary costs, non pay running costs, and indirect costs attributable to the service being delivered. A more detailed explanation of how costs have been calculated including travel time is provided at Annex 4 of this document.

2.12 Each of the charging areas has been reviewed utilising Lean methodologies to improve the efficiency of each step. Each step has been assessed and the time taken to perform it has been calculated. This forms the basis for the staff time charge out rates for each fee. Travel time will be capped at a total of 90 minutes per visit including the return journey.

2.13 The tables at Annexes 1–3 show the types of activity for which FCR fees will apply. However, the Agency is proposing fees for Animal By-Products and Animal Gatherings

³ Lean is an approach to improving and streamlining business processes

(Annexes 1 and 2) should be phased over a two year period – 50% in year one and 100% in year two, with the exception of travel costs which would be fully recovered at 100% from year one but capped at 90 minutes for a return journey. This is reflected in the tables. Section 3 sets out the estimated costs to business and the preferred options for each activity.

2.14 It is important to note that whilst it is UK Government policy to charge for some services, Government also still continues to fund a wide range of activities related to animal health and welfare, such as research and development, surveillance and enforcement.

Options under consideration

2.15 For the purposes of this consultation, three options for delivering the Government's policy of FCR are under consideration:

- **Option 0: No intervention**
Under this option no new fees would be charged. This is not considered a realistic option, but provides a baseline against which other options can be assessed.
- **Option 1: Introduce fees at FCR during 2015/16.**
Under this option the new fees would be introduced at FCR from 2015/16.
- **Option 2: Introduce fees with phased fee increases to achieve FCR.**
Under this option fees would be increased in incremental steps to reach FCR during 2016/17. This applies to Animal By-Products and Animal Gatherings only and not Pet Passports which would be charged at 100% FCR from the outset due to their relative low value.

2.16 For Animal Gatherings under options 1 and 2, this consultation will help the Agency understand the potential impact of the FCR approach on local small scale shows, particularly those organised by charities. This will enable the Agency to consider a concession for these types of show.

Key risks

2.17 If FCR is **not** implemented (option 0):

- The Agency will continue to provide these services free of charge, which could impact on our ability to deliver other critical work.
- The Agency will not be able to comply with HM Treasury's guidance "Managing Public Money", resulting in the end users commercially benefitting from services which are funded by the public purse.

2.18 If FCR **is** implemented during 2015/16 (option 1):

- Reduced demand for services if some market sectors become unprofitable. Also some businesses may pass on the costs to their customers and this could potentially result in reduced demand and falling profits, potentially making some businesses non-viable.
- Increases or introduction in other fees and charges, in line with the Government's policy to recover full cost of services, has a potential cumulative impact on some users of the services.
- Small, local animal gatherings, especially those arranged by charities could be adversely impacted.

2.19 If FCR in 2016/17 through phased fee increases (option 2) **is** implemented:

- The same key risks set out at paragraph 2.18 above apply. In the meantime the Agency may need to find savings from elsewhere to fund other critical work until FCR can be achieved.

Proposed timing for introducing new fees

2.20 The proposal is to commence implementation of the new fees in 2015/16, subject to the necessary legislation being in place.

2.21 The Agency will monitor the introduction of these new fees on an ongoing basis and then review with Defra, Scottish Government and Welsh Government at the end of year 1.

Section 3 – Summary of statutory services

APHA is proposing to introduce new charges in three areas:

- Animal By-Products
- Animal Gatherings
- Pet Passports

Animal By-Products

3.1 The Agency is proposing to charge businesses for Animal By-Product approvals and Animal By-Product routine risk-based inspections for both approved and registered businesses. Animal By-Products (ABPs) means entire bodies or parts of animals, products of animal origin or other products obtained from animals, which are not intended for human consumption, including oocytes, embryos and semen.

3.2 ABPs are a potential source of risks to public and animal health. For example improper use of ABPs has resulted in outbreaks of serious diseases such as foot and mouth disease, classical swine fever, avian influenza and the spread of bovine spongiform encephalopathy. Incorrect use, handling, processing or disposal of ABPs can have a significant cost impact on society, both directly on farming communities and indirectly, for example, on trade.

3.3 Legislation setting out rules for collection, storage, transport, treatment, use and disposal of ABPs has been in place for some time. The Animal By-Products Regulation (EC) No.1069/2009 requires competent authorities to carry out approval or registration of plants, establishments and other operators involved in the handling, use, or disposal of ABPs; to undertake regular risk-based inspections of such operations, and to enforce the requirements of the legislation. Charging for Animal By-Products will be covered in a SI made under section 56 (Charges for services etc. by Government departments) of the Finance Act 1973. Such a fee is for issuing an authorisation in pursuance of EU obligations regarding controls on Animal By-Products.

3.4 There is currently a system of approvals and registrations and subsequent risk-based inspections of premises and processes to ensure businesses are compliant with regulations to handle material safely and thereby reduce the risk of disease.

Expected level of business impact

3.5 A range of businesses handle, use, and dispose of ABPs. New premises or operators are either 'approved' or 'registered' depending on the requirements of the European ABP regulations. Plants carrying out higher risk operations require approval – for example, rendering plants, on farm incinerators and composters. Lower risk activities

may simply require registration – for example, transportation of ABPs or manufacture of technical products using ABPs.

3.6 The approval process varies depending on the operation, but generally includes an Authorised Veterinarian or Authorised Technician assessment of the application. This could include discussing the application with the operator, carrying out a number of site visits to inspect the plant, taking samples if necessary, checking computer records, supervising validation exercises and issuing approval documentation. There may be just two site visits for simple plants, but more than two for more complex operations. (A ‘simple’ visit would be one where the scale and complexity of the visit is relatively straightforward. A ‘complex’ visit would be one where the scale of the operation and/or the degree of technical complexity is such that the inspection will take longer). There are also administrative requirements.

3.7 For those ABP operators where registration rather than approval is required, plants or operators need only notify the competent authority that they are carrying out ABP activities without the need for prior authorisation. In these circumstances registration is a simple process and results in operators being added to a list on the Agency website. Operators will not be charged for this as the costs incurred in charging a fee to them would be disproportionate and could otherwise result in them not notifying their ABP activities to the Agency. This will continue to be publicly subsidised. However, if the initial risk assessment determines that a risk-based inspection is necessary, the inspection visit will be chargeable to the operator.

ABP Approved plants

3.8 Plants using or disposing of ABPs must obtain approval before they begin to operate. Approved ABP plants vary considerably in size and complexity, and include rendering (processing) plants, composting and biogas plants, anaerobic digestion (AD) facility, incineration plants, pet food plants, organic fertiliser (OF/SI) production plants, and various intermediate ABP handling & storage plants.

3.9 Plants are approved on a one-off basis (re-approvals only take place if there is a substantive change in the material received, equipment used or treatment process). In July 2014 there were 1,615 approved ABP plants in GB, and we anticipate that about 130 new plants will seek approval/re-approval each year. Based on Agency figures and initial feedback from key stakeholders, approximately 70% to 90% of approved plants are small to micro businesses (less than 10 employees).

ABP Registered plants

3.10 Although a registration fee will not be charged, for the reasons set out in paragraph 3.7 above, certain registered plants will still be subject to chargeable risk-based inspection. Registered ABP plants vary considerably in size and complexity, and include game trophy

producers, taxidermists, producers of medical devices, wool processors and tanneries, specified users such as those feeding ABPs to a pack of hounds, producers of diagnostic kits, maggot farms, zoos, collection centres and any other registered users.

3.11 In July 2014 there were 2,859 registered plants and operators in GB. Based on Agency figures and initial feedback from key stakeholders, approximately 70% to 90% of registered plants are small to micro businesses (less than 10 employees).

ABP Routine risk-based inspections

3.12 All approved and certain registered ABP plants are subject to a regime of risk-based inspections to ensure that operators are meeting the terms of their approval, and the requirements of relevant legislation. A risk-based inspection typically includes a site visit, sampling if required, analysis of any results and admin tasks including data logging. Time taken varies considerably depending on the size and complexity of the plant.

3.13 Approved ABP plants are risk assessed on initial application, and then visited for inspection annually, quarterly or monthly depending on their risk rating. This is a function of the risk posed by the type of operation, material being handled and the compliance record of the operator concerned. In practice although, on notification, all registered ABP plants are subject to risk-based assessments, where the risk is assessed as minimal many are unlikely to require an inspection visit. Others will be visited as set out above.

3.14 In 2014-2015 APHA carried out 4,302 risk-based inspections of ABP premises, registered plants and operators.

Estimated costs to business

3.15 We have quantified the unit costs; these are shown in Annex 1 - Schedule of Fees – Animal By-Products. The charges set out are the proposed charges and do not include travel time. Most businesses falling into the various categories could expect to pay i) annually for inspections or ii) for a complete approval process. For businesses that are more complex there may be additional visits required, this will increase charges.

3.16 Businesses will be informed of the level of charges they can expect to pay either on application (in the case of a new approval) or on the anniversary of their approval/at the start of the business year (in the case of inspections); including the possibility of additional charges where the process is more complex or compliance issues arise in which case additional costs and hence additional fees will be incurred.

3.17 Inspection visit frequency is determined annually on a risk basis. The risk model has been developed using five risk questions that rank individual businesses based on a risk score. The position of each business within this ranking, will determine the number of

visits carried out by APHA each year (higher risk premises can expect to receive a higher visit frequency).

The questions included in this risk model are:

1. What is the highest category of the material being handled?
2. What is the volume of material being handled in tonnes per week?
3. What is the risk of raw material or finished product entering livestock premises?
4. Is a Hazard Analysis and Critical Control Points (HACCP) plan complete and effectively implemented?
5. What is the operator's historical compliance?

Questions 1, 2 and 3, deal with the 'business' element of the premises i.e. large or small scale, category and outputs. These elements are partly outside of the operators' control. Questions 4 and 5 focus on the 'operational' element of the premises and reflect management control and degree of compliance with the ABP regulations. These are within the control of the operator. A business with a good degree of control over ABP risks and showing a good compliance will receive a lower risk score.

Depending on the outcome of the risk assessment, either monthly, quarterly or annual visits will be assigned to operators.

Any permanent change in operation will be reflected in subsequent visit frequencies, for example, a change in the risk associated with the operation may result in the need for more or fewer visits.

3.18 There can be a marked variation in the technical complexity between ABP operators. Some operations will be 'simple', for example, on-farm incineration. Others will be more 'complex', for example, rendering. Annex 1 shows costs for both simple and complex sites visited monthly, quarterly or annually.

3.19 A 'simple' visit is where the scale and complexity of the visit is relatively straightforward. It would be expected that all of the necessary checks should usually be able to be completed in approximately 2 hours. A 'complex' visit is where the scale of the operation and/or the degree of technical complexity is such that the inspection will take longer. Details of types of services that fall within 'simple' and 'complex' visits are shown in Annex 1.

3.20 As described above, new operations that require approval will need to demonstrate compliance with the ABP regulations. As a minimum this is likely to involve two separate site visits - one prior to the start of operation and one when the site is operational. With more complex operations such as rendering, multiple site visits may be required prior to the site achieving approval. In addition, some operations may need to carry out a formal validation exercise including sampling activities and analysis of data. In certain cases it may be necessary to carry out additional visits to a site during the approval phase for

example, if a site experiences difficulties during validation. The fees associated with these additional visits are described in Annex 1.

3.21 The complexity and risks, and therefore the nature and cost of plant approvals, vary widely. Risk-based inspections are more standardised but can also vary depending on the type of plant and, for example, its compliance history.

Options under consideration

3.22 This section summarises the options under consideration and proposals for the introduction of new fees to achieve FCR for Animal By-Product services.

Option 0: No intervention

No fees are charged and the Government continues to subsidise these activities to business utilising taxpayers' money.

Option 1: Introduce fees to FCR during 2015/16

Fees are collected at the FCR rate as shown in Annex 1.

Option 2: Introduce fees by phased increases over 2 years to achieve FCR in 2016/17.

The phased increase would see fees introduced at 50% of the full cost of recovery rising to 100% FCR in year 2. Travel time would be chargeable at 100% FCR rate from year 1.

Option 2 is the Agency's preferred option as this provides mitigation to the effects of the introduction of charges and businesses have time to adjust to the new charging regime.

Animal Gatherings in England and Wales

3.23 Animal gatherings bring together animals from different places for the purpose of sale, showing, or collecting together for onward transport. This bringing together and subsequent dispersal of animals introduces a high risk of disease spread when compared to direct movements of animals from a single farm to another farm or slaughterhouse. This section considers the proposal to introduce fees to recover the costs which the Agency incurs in licensing animal gatherings.

3.24 To mitigate the risk of the spread of undetected animal disease through these gatherings they are licensed by Government in accordance with existing legislation - The Animal Health Act 1981 (Section 84); The Animal Gatherings Order 2010 and The Animal Gatherings (Wales) Order 2010. A different regulatory approach applies in Scotland and therefore the fees proposed only apply to the licences issued to gatherings located in England and Wales. The proposed fees for these statutory services would be charged under section 84 of the Animal Health Act 1981.

Number and type of affected businesses

3.25 For the purposes of this assessment gatherings have been grouped into markets, collection centres and shows.

3.26 **Markets** bring together animals for sale (change of ownership) and onward movement either to another farm or to a slaughterhouse. Markets tend to be held at long established venues, although from time to time they move to a new venue or there are significant changes to the infrastructure or type of business conducted. The volume of animal movements through markets tends to be high, with some venues holding several sales a week. There are a few local markets which operate infrequently in response to local demand or seasonal events. Markets are generally issued with a single licence to cover all their business for a year. There are around 120 licensed markets in England and Wales some being multiple sites managed by a single company.

3.27 **Collection centres** are primarily used to allow efficient logistics in the distribution of animals from or to multiple destinations over longer distances and are therefore of benefit to hauliers. Collection centres for export are outside the scope of this legislation therefore no fee is proposed for the approval of export assembly centres. Whilst the business of collection centres is less complex, many are held at farms and therefore can present a higher risk of disease transmission between resident and transitory animals. Collection centres are generally issued with a single licence to cover all their business for a year. Collection centres move location more frequently than markets, requiring new or amended licences. There are around 100 collection centres in England and Wales.

3.28 **Shows** bring together animals from multiple locations for showing to public and producers. In this category we have included gatherings to inspect animals specific breed characteristics. Following a show, animals tend to return to their farm of origin. Animals

attending shows usually are of a high health status, whereas those at markets and collection centres can be of mixed status. Shows tend to occur just once a year at each location. They typically last one or 2 days but a few last up to a week. The majority of shows are therefore issued a licence for the event only. Many shows are annual and so they are licensed each year and this relicensing is straightforward where the structure of the show is unchanged. A licence for a show tends to represent lower risk since shows are single events rather than multiple events in a single year. A proportion of the smaller shows move location each year and licensing at the new venue is more complex. There are around 600 shows in England and Wales.

Structure of fees

3.29 Introduction of fees means that each licensee will pay a fee to cover the cost of each service received. Currently the Agency is able to provide free advice and guidance and revisit a gathering as necessary to get the application and operation up to the standard required for a licence to be issued. With the introduction of fees, the Agency will continue to provide advice and guidance through public subsidy to help applicants understand requirements and standards. Where visits and inspections are required, these would be chargeable.

3.30 The outcome of the process can only be the issuing of a licence or the rejection of the application. It is recognised that rejecting applications for existing operations would be very disruptive and therefore where an application fails to meet some of the required standards a provisional licence will be issued pending remedial action. In order to convert this to a full licence, additional fees will be incurred to cover the additional inspection costs to issue a full licence.

Estimated cost to businesses

3.31 The proposed fixed fee structure will encourage applicants to prepare well set out plans that allow straightforward and effective assessment. The structure is likely to result in lower fees for shows, medium fees for collection centres and higher fees for markets. In scale they range from £91 to £414 with the potential to incur additional visit fees of around £180.

3.32 We understand markets and collection centres cover their costs through transactional fees for their clients and customers, and many shows typically charge an entry fee for exhibitors and visitors. Our expectation is that the costs of licensing will be passed on through these fees. This consultation will help the Agency understand the potential impact on local small scale shows, especially those organised by charities or on a voluntary basis.

3.33 It is understood fees of this level are unlikely to have a fundamental impact on the gatherings being licensed. We would welcome comments and evidence on affordability of these fees and whether any particular types of gathering are likely to be adversely affected. It is understood the majority of animal gathering operations employ less than 50 staff and therefore would be categorised as small, or could restructure to achieve this status. Thus an exemption from fees for small businesses is not viable if the aim of this policy is to be achieved.

Options under consideration

3.34 This section summarises the options under consideration and proposals for the introduction of new fees to achieve FCR for animal gatherings services.

Option 0: No intervention

No fees are charged and the Government continues to subsidise these activities to business utilising taxpayers' money.

Option 1: Introduce new fees at FCR during 2015/16

Fees are collected at the full rate as shown in Annex 2.

Option 2: Introduction of new fees with a phased increase over 2 years to achieve FCR in 2016/17.

A phased introduction of fees. A simple approach would be to introduce fees in 2015/16 at 50% of the full cost of recovery rising to the 100% FCR in the second year 2016/17. Travel time would be chargeable at 100% FCR rate from year 1.

Option 2 is the Agency's preferred option as this provides mitigation to the effects of the introduction of charges and gives businesses time to adapt to new charges.

Pet Passports

3.35 The UK is currently free of rabies and the tapeworm *Echinococcus multilocularis* (EM) which can infect animals and humans. Pet passports are an integral part of the existing legislation to control the international movement of pets (cats, dogs and ferrets) in order to maintain the UK's freedom from rabies and EM.

3.36 The proposal is to charge for providing the passport document. Pet passports are issued by veterinary practices that prepare pets for international travel. Currently passport documents are provided free of charge (at taxpayer expense) by the Agency to those

veterinary practices. EU Regulation No. 576/2013, which replaced the previous Pets Regulation (EC) No 998/2003, with effect from 29th December 2014, requires pets that are due to travel to have a pet passport, “issued by a veterinarian authorised by the competent authority”. Commission Implementing Regulation (EU) No 577/2013 specifies the style and content of the pet passport. Quality assurance of the documents and service would be required to ensure our obligations under EU Regulation No. 576/2013 are met.

3.37 Our objective is to transfer the costs of providing this service from the taxpayer to those businesses that issue pet passports and thus to the individuals who wish to undertake international travel with their pets. The proposed fees for statutory services would be charged under section 56 of the Finance Act 1973.

Expected level of business impact

3.38 The businesses that will be affected by this charge are veterinary practices that prepare pet animals for international travel. According to Agency management information about 2,700 veterinary businesses were issued with about 60,000 pet passports during 2012. Most veterinary practices are small or micro businesses. It will therefore not be possible to waive or mitigate the cost for small and micro businesses as this would seriously undermine the policy of charging for passports.

3.39 We expect veterinary practices to pass on the costs of passports to their customers (typically these are members of the public undertaking international travel with their pets e.g. taking pets on holiday abroad) and thus vets will recoup any charges incurred. These customers already pay for their pets to be prepared for international travel by their vet as is required by the European pet travel regulations and the additional costs associated with the passport document would be small. This charging policy relates to England, Scotland and Wales. The situation across other EU member states is currently mixed with some countries e.g. Sweden, Denmark, Austria and Ireland also charging for issuing pet passports to their veterinary practices.

Estimated Costs to business

3.40 Pet passports last for the life of the pet or until they are full. Currently about 60,000 new pet passports are issued annually. As shown in Annex 3 – Proposed Schedule of Fees – Pets Passports, are issued to veterinary practices in batches of 20 at an approximate cost to the taxpayer of £73.19 per batch including delivery.

Options under consideration

3.41 This section summarises the two options under consideration and proposals to introduce new fees to achieve FCR for Pet Passport provision.

Option 0: No intervention

No fees are charged and the Government continues to subsidise these activities to business utilising taxpayers' money.

Option 1: Introduce fees at FCR during 2015/16

Fees are collected at the full 100% FCR rate as shown in Annex 3.

Option 1 is the Agency's preferred option as the cost per Pet Passport is relatively small and we are expecting costs to be passed on to the individual customer.

Section 4 - Timing for introducing proposed new fees

4.1 The aim is to introduce the proposed new fees in 2015/16, subject to the necessary legislation being in place. In developing the options for each service we have considered whether to phase in the new fees over 2 years or to introduce them in full once the required legislation is in place. Our preferred options reflect that we consider a phased approach for Animal By-Products and Animal Gatherings. It is recognised that our preferred option for the introduction of charges for Pet passports differs to the phased approach being taken for other charges. This is because of the low costs for passports, which we do not believe will impact significantly on small and micro businesses. We expect the charges to be passed on to individual customers by veterinary practices.

4.2 The preferred options would mean that during 2015/16:

- ABP services would be charged for at 50% of FCR rate.
- Animal Gatherings services would be charged at 50% of FCR rate (England and Wales only).
- Pet Passports would be charged at 100% of FCR rate.

4.3 During 2016/17:

- ABP services would increase to 100% of FCR rate.
- Animal Gatherings would increase to 100% of FCR rate (England and Wales only).
- Pet Passports would continue to be charged at 100% of FCR rate.

Section 5 - Consultation

5.1 This written consultation builds on informal engagement with a range of industry stakeholders during the development of the fees for each of the services.

Stakeholder engagement and pre consultation work carried out prior to the formation of APHA on 1 October 2014 was conducted under the name of AHVLA.

The main purpose of this consultation is to engage all stakeholders likely to be affected by the proposed introduction of fees for these statutory services, and in particular to seek:

- Comments on the options summarised in this document, and to propose other options that could deliver the Government's objective of FCR and;

- Further evidence for the impact assessment for each of the services. This information will help to ensure we have the best available evidence on which to make decisions on the implementation of FCR.

5.2 The Consultation Questionnaire sets out specific questions to help us make informed assessments of the risks associated with the proposed options for each of the services. We would welcome your responses to these questions either electronically or by post. Any additional information you can provide to support your responses would be useful in making an accurate assessment of the impacts of the proposals. We are consulting widely, including businesses affected by the changes and individuals, groups and organisations that may have an interest in any of the statutory services.

5.3 To help ensure that all interested businesses, organisations and individuals have an opportunity to comment, the consultation document is available on the website at: <https://consult.defra.gov.uk/> or by post to the address shown at paragraph 1.7.

5.4 A list of consultees is provided via the website at: <https://consult.defra.gov.uk/> Interested parties who are not included on the consultee list are invited to submit evidence via the questionnaire.

Annex 1: Proposed Schedule of Fees - Animal By-Products

The Agency's preferred option is 50% of FCR for Actual Unit Fees in first year and 100% in second year. Travel time would be charged at 100% from the outset capped at a total of 90 minutes for a return journey.

Service	Description of Service	Nature of visit	Preferred Option FY2015/16 Actual Unit Fee	Preferred Option FY2016/17 Actual Unit Fee
Existing Businesses Fees				
1 visit a year/1 visit every 2 years	Low risk operation with good previous operational compliance and management control. For example, an on-farm incinerator	Simple ¹ Visits	£79	£157
1 visit a year/1 visit every 2 years	Low risk operation with good previous operational compliance and management control. For example, a small compost site	Complex ² Visits	£199	£398
4 visits a year	Medium risk operation or low risk operation with history of non-compliance. An example would be a storage plant or collection centre.	Simple ¹ Visits	£281	£561
4 visits a year	Medium risk operation or low risk operation with history of non-compliance. An example could be a handling plant or AD facility	Complex ² Visits	£777	£1,553
12 visits a year	Higher risk operation or medium risk operation with a history of non-compliance. An example larger compost or AD facility or smaller processing facility.	Simple ¹ Visits	£829	£1,658
12 visits a year	High risk operation or medium risk operation with a history of non-compliance. An example could be processing plants.	Complex ² Visits	£2317	£4,633
New Applicant Fees				
Rendering Plant - 6 site visits plus 6 validation visits	Approval of a rendering facility, including multiple site visits and detailed validation (residency time trial/ microbiological testing)	Complex ² Visits	£1681	£3,361

Compost Plant - 4 site visits plus 4 validation visits	Approval of simple composting site including validation using microbiological testing	Simple ¹ Visits	£479	£958
Compost Plant - 4 site visits plus 4 validation visits	Approval of complex compost site (for example using alternative transformation) using microbiological trial validation and microbiological testing.	Complex ² Visits	£1231	£2,462
Anaerobic Digestion - 4 site visits plus 4 validation visits	Approval of simple anaerobic digestion site including validation using microbiological testing	Simple ¹ Visits	£479	£958
Anaerobic Digestion - 4 site visits plus 4 validation visits	Approval of complex anaerobic digestion site (for example using alternative transformation) using microbiological trial validation and microbiological testing.	Complex ² Visits	£1231	£2,462
Handling Plant - 2 visits	Approval visits associated with handling plant (one visit prior to operation and one when operating)	Simple ¹ Visits	£243	£485
Storage Plant - 2 visits	Approval visits associated with storage plant (one visit prior to operation and one when operating)	Simple ¹ Visits	£243	£485
Incineration Plant - 2 visits	Approval visits associated with an incinerator plant (one visit prior to operation and one when operating)	Simple ¹ Visits	£198	£395
Pet food - 2 visits	Approval visits associated with a pet food plant (one visit prior to operation and one when operating)	Simple ¹ Visits	£198	£395
Pet food - 4 visits	Approval visits associated with a pet food plant including multiple lines and complex operation for example canning facility or complex separation processes.	Complex ² Visits	£279	£557
Fixed add-on Fees (Charged in addition to the fixed fees above)				
Additional Simple Visit ³	Includes 60 minutes of Authorised Veterinarian time and 30 minutes of Admin time	Simple ¹ Visits	£39	£78
Additional Complex Visit ³	Includes 180 minutes of Authorised Veterinarian time and 30 minutes of Admin time	Complex ² Visits	£104	£208
Variable add-on Fees (Charged in addition to the fixed fees above)				

Authorised Veterinarian Travel Time	Charged based on the journey time. A maximum ceiling of 90 minutes applies.	£21 (per 15 mins)	£21 (per 15 mins)
Authorised Technician Travel Time	Charged based on the journey time. A maximum ceiling of 90 minutes applies.	£14 (per 15 mins)	£14 (per 15 mins)

¹ A simple visit is where the scale and complexity of the visit is relatively straightforward. It would be expected that all of the necessary checks should usually be able to be completed in approximately 2 hours.

² A complex visit is where the scale of the operation and/or the degree of technical complexity is such that the inspection will take longer. It is envisaged that a complex visit will take longer than 2 hours.

³ The number of visits is defined at the beginning of the Application/Re-application process. If additional visits need to be arranged, above the number of visits originally paid for, these fees apply. The Agency will never reduce the number of visits during the year.

Annex 2: Proposed Schedule of Fees - Animal Gatherings

The Agency's preferred option is 50% of FCR for Actual Unit Fees in first year and 100% in second year. Travel time would be charged at 100% from the outset capped at a total of 90 minutes for a return journey.

Service	Description	Preferred Option FY2015/16 Actual Unit Fee	Preferred Option FY2016/17 Actual Unit Fee
Fixed Fees for Markets			
Market application – standard	A brand new or radically changed market or collection centre that is assessed as lower risk will require a visit by an Authorised Veterinarian when it is empty before it can be fully licensed. Most new or significantly changed collection centres and low risk livestock markets will fall in this category. Includes 180 minutes of Authorised Technician time in relation to the activity.	£128	£256
Market application – higher risk	A brand new or radically changed market or collection centre that is assessed as higher risk will require a visit when empty. On successful inspection a provisional licence will be issued and a further visit take place during operation before it can be fully licensed. Most new or significantly changed livestock markets will fall into this category. Includes 290 minutes of Authorised Veterinarian time in relation to the activity.	£207	£414
Market re-approval - low risk	Markets and collection centres already operating require annual renewal. Those assessed as lowest risk will require a single visit normally in the month prior to renewal. Includes 150 minutes of Authorised Veterinarian time in relation to the activity.	£109	£217
Market re-approval - medium risk	Markets and collection centres already operating require annual renewal. Those assessed as medium risk will require a two visits (one whilst operating and one when empty) normally in the month prior to renewal. Includes 265 minutes of Authorised Veterinarian time in relation to the	£171	£342

	activity.		
Market re-approval - high risk	Markets and collection centres already operating require annual renewal. Those assessed as high risk will require two visits (one whilst operating and one when empty) normally in the month prior to renewal. Due to the complexity of the site or operation the visits will take longer. Includes 325 minutes of Authorised Veterinarian time in relation to the activity.	£204	£407
Fixed Fees for Shows			
Show application – simple	A new or significantly changed show (such as a new venue) will require a visit before it can be licensed. Those assessed as lower risk (where the show is proposed to be small, of short duration and with limited number of animals present) will be visited by an Authorised Technician. Most shows will fall into this category. Includes 95 minutes of Authorised Technician time in relation to the activity.	£57	£114
Show application - more complex	A new or significantly changed show (such as a new venue) will require a visit prior to approval. Those assessed as higher risk (where the show is proposed to be large, of longer duration and with multiple species and large numbers of animals present – e.g. County shows) will be visited by an Authorised Veterinarian. Includes 180 minutes of Authorised Veterinarian time in relation to the activity.	£123	£245
Show renewal – simple (no visit)	Shows will require re-licensing each year. A lower-risk, smaller show will not require a visit prior to re-licensing when the show is the same or with only minor modifications. Most shows will fall into this category. Includes 60 minutes of Authorised Technician time in relation to the activity.	£46	£91
Show renewal –simple (visit needed)	However, after a period of time, depending on the size, duration, number of species and number of animals present, lower risk shows will require a visit by an Authorised Technician before re-licensing, at a frequency determined by the assessed risk. The number of shows allocated to this category is thus based on an estimate of the frequency of visits needed. Includes 105 minutes of Authorised Technician time in relation to the activity.	£55	£110

Show renewal - complex	Larger, more complex shows will require an annual visit by an Authorised Veterinarian prior to re-licensing. Includes 95 minutes of Authorised Veterinarian time in relation to the activity.	£79	£157
------------------------	---	-----	------

Variable Add-on Fees (Charged in addition to the fixed fees above)			
Additional Authorised Veterinarian time	Charged for every additional completed 15 minutes of work undertaken by the Authorised Veterinarian in relation to the activities above.	£8	£16
Additional Authorised Technician time	Charged for every additional completed 15 minutes of work undertaken by the Authorised Technician in relation to the activities above.	£5	£9
Authorised Veterinarian Travel Time	Charged based on the journey time. A maximum ceiling of 90 minutes applies.	£21 (per 15 mins)	£21 (per 15 mins)
Authorised Technician Travel Time	Charged based on the journey time. A maximum ceiling of 90 minutes applies.	£14 (per 15 mins)	£14 (per 15 mins)
Fixed add-on Fees (Charged in addition to the fixed fees above)			
Additional in-year market visit ¹	Includes 125 minutes of Authorised Veterinarian time and 70 minutes of Admin time.	£87	£173

¹ If the type of animals that the market processes changes, then an additional visit may be required and this fee will apply where necessary.

Annex 3: Proposed Schedule of Fees – Pet Passports

Description of item	Number of items	Cost
Passport document	E.g. per 20 passports	£70.19
Delivery/Postage ¹	E.g. per 20 passports	£3.00
Total cost per batch:		£73.19

¹ Based on postage costs (July 2015 - Royal Mail)

Annex 4: Fee methodology

FCR Model

The Agency has worked up each best estimate of the full unit cost of providing each category of service in full compliance with the guidance in HM Treasury's publication "Managing Public Money" (see in particular, Chapter 6 and Annex 6.1).

Cost recovery charges detailed at Annexes 1-3 have been calculated as follows:

Salary Costs + Non-Pay Running Costs + Indirect Costs + Specific fees = Fee

The cost elements explained below are included in our fees to recover costs associated with the delivery of each service.

Salary Costs include:

- Basic salary – This is the cost incurred to pay a member of staff of a particular grade to undertake part of the activity associated with this service. Typically each service will have a variety of members of staff performing a role to deliver it.
- Permanent allowances – These are allowances paid to certain members of staff for a variety of reasons these include such things as on call allowances to undertake duties out of hours.
- Employer related National Insurance – The portion of national insurance that is paid for each member of staff associated with delivering the service
- Pension. – The portion of the employers' contribution that is paid by the Agency for staff pensions for each member of staff associated with delivering this service.

We have taken the total annualised salary costs per grade (excluding things like overtime etc). and divided this by the total full time equivalent (FTE) per grade at a point in time, to calculate the average hourly salary for each grade.

Non-Pay Running Costs (NPRC) includes:

- Accommodation – These are a portion of the costs associated with providing the work space for the staff associated with providing the service.
- Veterinary consumables - These are costs to cover the provision of disposable equipment provided to members of staff, such as gloves, over shoes, sampling equipment etc.

- General overheads – These costs to cover the general running of the Agency and includes such items as the provision of office equipment, printing, insurance and legal expenses
- ICT costs – These costs include laptops and mobile phones.
- Training – This includes costs associated with learning and development.

These are overhead costs attributable to the provision of our chargeable activities apportioned as a percentage per grade.

Travel and subsistence overheads are not included under NPRC when calculating the hourly working rate. They are only applicable to travel time rate calculation.

Indirect Costs

These are Agency corporate support teams. In calculating the portion of these costs associated to this service it has been assumed that all staff in the Agency benefit equally from the support these services provide to them. Therefore the costs of delivering these have been spread in proportion to grade between all staff employed by the Agency.

- Health and Safety – This is the costs associated with managing Health and Safety activities, such as the identification and management of BioRisks, accident reporting systems, risk assessments and health surveillance.
- Communications
- Corporate Office
- Human Resources
- Finance and Procurement – These are costs associated with managing budgets and ensure that services used by the Agency is selected within the regulations and provide best value for the tax payer.
- Relationship Management
- Estates Management – These are costs associated with managing buildings and facilities. This does not include the costs associated with providing workspace for those delivering the service.
- Information Management – Costs associated with maintaining records.

Specific Fees include:

- Software costs – The cost of maintaining any software required specifically to undertake this service.

- Variable postage costs (where used) dependent upon the option chosen by the customer

Charging of Fixed and Variable Fees

Each fee structure in Annexes 1-3 consists of fixed and variable components which make the total fee charged per activity.

The fee structures at Annexes 1-2 include the anticipated time or number of visits required to undertake the activity in the Actual Unit Fees. Where additional time or visits are required, these will be charged as per the fee schedules.

Travel time

The Agency will charge customers travel time up to a capped ceiling of 90 minutes for a return journey from the nearest APHA Field Services Office.