



Meat Hygiene Charge Rates 2017/18

October 2017

Cost Data Presentation 2017/18

- Official control hourly rates
- How the rates are calculated
- Discounts, Transitional Funding & EU Minima
- Other Charges
- Review & Conclusion

Purpose of the presentation

- Presentation of the cost data for meat industry hourly charge rates for 2017/18
- To clarify and provide transparency on:
 - Direct and indirect essential support costs of official controls
 - Process to calculate hourly rates
 - FSS compliance with EU and Scottish charging rules

Background to Calculation

- The meat industry is charged under Annex VI (EC) 882/2004 which comprises:
 - Salaries of the staff involved in the delivery of official controls
 - Other staff costs associated with official controls delivery, including facilities, tools equipment, training and travel
 - Laboratory analysis and sampling costs

What information used?

- All cost figures used are from the 2017/18 forecasted budget plus contractor costs as per new contract (fixed price for OV's)
- Official Control Hours used are the actual hours charged from 1st October 2015 to 30th September 2016, less the estimated amount of MHI hours reduced as a result of the new PIA system
- Both have been approved by the Director of Operations and Head of Corporate Services
- The charge rate calculation method was subject to external audit

Official Control hourly rates

- Direct costs have increased by 0.25%
- Indirect costs have decreased by 27%
- Total costs have decreased by 3.6%

- Official Control Hours
 - OV down by 5.5%
 - MHI down by 5.8%

- MHI hourly rate is the lowest since April 2015
- OV rate has increased due to the fixed cost we incur and the reduction in the number of hours used

Industry official controls hourly rates 2017/18

	MHI	OV	Total
Direct Costs	3,086,026	2,044,771	5,130,797
Indirect Costs	422,147	176,568	598,715
Total Costs	3,508,173	2,221,340	5,729,512
Official Control Hours	119,332	49,912	166,914
Charge rate before discount	£29.40	£44.51	

2017/18 Charge rate

FSS Charge

	2016/17	2017/18	Variance	%
MHI	30.17	29.40	-0.77	-2.55%
OV	40.11	44.51	4.40	+10.96%

2017/18 Charge rate - FSS / FSA variance

	FSS	FSA	Variance	%
MHI	29.40	31.00	+0.60	+2.01%
OV	44.51	39.00	-5.51	-12.38%

Official Control Hours

	2016/17	2017/18	Variance	%
MHI	126,715	119,332	-7,383	-5.82%
OV	52,800	49,912	-2,888	-5.47%

- Official Control Hours based on prior years hours to provide basis for calculation.
- 17/18 hours based on 16/17 actuals of 130,123 but reduced to reflect move to PIA model by approx. 10,800 hours (this has been updated to reflect the delay in the introduction of PIA's)

Meat Industry Costs

	2016/17	2017/18	Variance
Employed staff costs	2,497,087	2,163,830	-333,257
Contractor costs (Plus Contract OVs)	2,400,132	2,528,643	128,511
Laundry/PPE/Uniform and Equipment costs	68,816	80,719	11,903
Front-line travel costs	109,747	128,820	19,073
Sampling & testing	41,847	55,359	13,512
Direct Support costs (IT, Office Equipment etc.)		167,426	167,426
Legal/Debt recovery Services		6,000	6,000
Sub total direct costs	5,117,629	5,130,797	13,168
Operations Support	116,473	185,045	68,572
Corporate Services	488,369	301,012	-187,357
Human Resources	74,396	61,420	-12,976
Depreciation	82,640	51,239	-31,401
Other staffing costs	62,000	0	-62,000
Sub total indirect costs	823,878	598,715	-225,163
Total costs	5,941,508	5,729,512	-211,995

Direct/Indirect Costs

	2016/17	2017/18	Variance	%
Direct Costs	5,117,629	5,130,797	13,168	+0.25%
Indirect Costs	823,878	598,715	-225,163	-27.33%
Total	5,941,507	5,729,512	-211,995	-3.6%

- Transferred approximately £167,426 from indirect to direct (made up IT provision/support, Health & Safety, in plant equipment)
- £6k estimate for new debt recovery service

Overheads

2016/17	2017/18	Variance	%
4.59	3.54	-1.05	-22.9%

- Overhead = Total indirect costs divided by the Total hours
- 2017/18 overheads only includes Operation/Vet team and Corporate Services associated costs
- £127,655 has been removed from indirect costs
- FTE % used this year for calculation of overhead is 9.4%

Discount & Transitional Funding

Discount

- Calculated using
 - Throughput data
 - Full costs using data previously stated
 - Maintained £1.3M subsidy

Transitional Funding

- Calculated using the FSA model that was in place when FSS moved away from FSA
- It is estimated that industry would have paid more if FSA 2015 model was still being used therefore there will be no transitional funding awarded

EU Minima Charge

- FSS will not be making any EU Minima uplift charges (as per information previous communicated)

Other charges 2017/18

Audit Charges - Fixed cost

- Standalone slaughterhouse = £311.06
- Slaughterhouse & co-located cutting plant = £435.49
- Standalone cutting plant = £311.06

Veterinary Approvals (hourly) = £56.11

Partial Audits – charged the OV or MHI hourly rate

Unannounced Inspections – charged the OV or MHI hourly rate

Review

FSS are committed to ensuring effective and efficient controls are in place to protect the consumer. During 2017/18 we intend to:

- Work interested parties to review the charging model to ensure that it is fit for purpose
- Retender of Official Controls contracts during 2017
- Work with Food Business Operators to support efficiency delivery where possible and continue to agree resources deployed at plant level.

Conclusion

- FSS have maintained £1.3M net subsidy for last 3 years
- MHI hourly rate at lowest since FSS began. Increase in OV hourly rate is a direct result of the fixed cost and a reduction in the number of hours used.
- Removal of EU Minima uplift will enable business to take more control over request for hours. This decision provided industry with £140k additional financial support during 2016/17
- Cutting plants are charged on a fixed cost basis for audit and full cost recovery basis for unannounced inspection and any additional official control work following an audit
- FSS committed to review of charging model during 2017 and will continue to support industry make efficiency savings where possible