# Annex B: Impact Assessment for the Food Hygiene Rating (Online Display) Regulations (Northern Ireland) 2023

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| **Title:** | **The Food Hygiene Rating (Online Display) Regulations (Northern Ireland) 2023** |
| **Date:**  | **16 May 2022** |
| **Type of measure** | Secondary Legislation |
| **Lead department or agency:** | **Food Standards Agency** |
| **Stage:** |  |
| **Source of intervention:** |  |
| **Other departments or agencies:****N/A** | **Contact details:** Una Campbell, Ryan Peake-Smith, Eirini Petratou |
|  | Una.campbell@food.gov.uk |
|  | Ryan.peake-smith@food.gov.uk |
|  | Eirini.petratou@food.gov.uk |

## Summary Intervention and Options

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| **What is the problem under consideration? Why is government intervention necessary?** (7 lines maximum)The Food Hygiene Rating Act (Northern Ireland) 2016 (the Act) introduced a statutory food hygiene rating scheme in Northern Ireland. The legislation includes provisions which make it mandatory for food businesses to display food hygiene rating stickers at their premises and, if consumers can order online, to display their rating online in a specified manner. Secondary legislation has been implemented to require the display at physical establishments however not online; this will require a separate piece of legislation. Without this legislation there exists an asymmetry of information available relating to a business’ food hygiene compliance, therefore increasing consumers’ risk of illness attributed to foodborne disease. This absence of accountability to consumers also limits compliance incentives for businesses, exacerbating regulatory burdens. Secondary legislation mandating online display of food hygiene ratings (FHRs) will correct these market failures and ensure the scheme delivers its intended benefits in all settings. |
| **What are the policy objectives and the intended effects?** (7 lines maximum)The policy aims to ensure the effective operation of the statutory food hygiene rating scheme in Northern Ireland with regards to the online display provision, allowing the full scope of the Food Hygiene Rating Act (Northern Ireland) 2016 to be implemented and fulfil the request of the NI Assembly Health Committee. This will ensure consumers can make informed choices in all food ordering settings, unlocking a number of benefits to various stakeholder groups. These include improved public health and reduced public health burden on health services due the reduced prevalence of foodborne disease, reduced regulatory burden on the FSA and district councils, and reduced burden of inspections on businesses as demonstrated compliance improves.  |
| **What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)** (10 lines maximum)Option 1: ‘Do Nothing’ – Do not implement secondary legislation mandating the online display of FHRs. This would mean that regulations would not be made pursuant to Section 7(3) of the Act (a provision introduced at the request of the NI Assembly Health Committee), and food businesses will not be required to display their rating online.Option 2: Introduce secondary legislation which will underpin the online display provision set out in the Food Hygiene Rating Act (Northern Ireland) 2016 – Introduce the proposed secondary legislation mandating the online display of FHRs. This is the preferred option, as it enables food hygiene regulations to be harmonised across physical and online settings, and as a result extends a number of benefits realised in the context of physical display legislation to the online food ordering market. These include improved food hygiene standards and compliance rates, better informed consumer choices increasing consumer confidence, reduced prevalence of foodborne disease through the previous two channels, and reduced regulatory burden experienced by the FSA, district councils and businesses within scope of the food hygiene regulations. |
| **Will the policy be reviewed?**  |
| **If applicable, set review date:** Under continuous review |

## Cost of Preferred (or more likely) Option**[[1]](#footnote-2)**

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| --- | --- | --- |
| **Total outlay cost for business** £m | **Total net cost to business per year** £m | **Annual cost for implementation by Regulator** £m |
| 0.61 | 0.07 | 0 |

|  |  |  |
| --- | --- | --- |
| **Does Implementation go beyond minimum EU requirements?** | **YES** **[ ]**  | **NO** **[x]**  |
| **Is this measure likely to impact on trade and investment?** | **YES [ ]**  | **NO [x]**  |

Are any of these organisations in scope?

|  |  |  |  |
| --- | --- | --- | --- |
| **Micro**Yes [x]  No [ ]  | **Small**Yes [x]  No [ ]  | **Medium** Yes [x]  No [ ]  | **Large**Yes [x]  No [ ]  |

**The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.**

Approved by: Eirini Petratou

Date: 16.06.22

Summary: Analysis and Evidence Policy Option 1

Description: ‘Do Nothing’ – Do not implement secondary legislation mandating the online display of FHR stickers, continue with the voluntary scheme

## ECONOMIC ASSESSMENT (Option 1)

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| --- | --- | --- | --- | --- |
| **Costs (£m)** | **Total Transitional (Policy)**(constant price) | Years | **Average Annual (recurring)**(excl. transitional) (constant price) | **Total Cost** (Present Value) |
| **Low** | **Optional** | **10** | **Optional** | **Optional** |
| **High** | **Optional** | **10** | **Optional** | **Optional** |
| **Best Estimate** | **N/A** |  | **N/A** | **N/A** |

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| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesThere are no monetised costs or benefits associated with this option. This is the baseline against which all other options are appraised. |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 lines**UK Society**: Consumers would continue to experience information asymmetry in the food ordering sector, with the FBO’s themselves continuing to have greater knowledge of their compliance levels than their customers. This would facilitate consumers continuing to make sub-optimal food ordering choices and exposing themselves to unnecessary and avoidable risk of foodborne disease  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Benefits (£m)** | **Total Transitional (Policy)**(constant price) | Years | **Average Annual (recurring)**(excl. transitional) (constant price) | **Total Benefit** (Present Value) |
| **Low** | **Optional** | **10** | **Optional** | **Optional** |
| **High** | **Optional** | **10** | **Optional** | **Optional** |
| **Best Estimate** | **N/A** |  | **N/A** | **N/A** |

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| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines There are no costs or benefits associated with this option. This is the baseline against which all other options are appraised. |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesThere are no costs or benefits associated with this option. This is the baseline against which all other options are appraised. |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesCosts and benefits in the baseline are constant throughout the lifespan of the policy. |

## BUSINESS ASSESSMENT (Option 1)

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| --- | --- | --- |
| **Direct Impact on business (Equivalent Annual) £m** |  |  |

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| --- | --- | --- | --- | --- |
| **Costs:N/A** | **Benefits:N/A** | **Net:N/A** |  |  |

**Cross Border Issues (Option** 1**)**

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| **How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)** Maximum 3 lines |

## Summary: Analysis and Evidence Policy Option 2

Description: Introduce secondary legislation which will underpin the online display provision set out in the Food Hygiene Rating Act (Northern Ireland) 2016

## ECONOMIC ASSESSMENT (Option 2)

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| --- | --- | --- | --- | --- |
| **Costs (£m)** | **Total Transitional (Policy)**(2019 prices, 2023 Base Year)[[2]](#footnote-3) | Years | **Average Annual (recurring)**(excl. transitional) (2019 prices, 2023 Base Year) | **Total Cost** (2019 prices, 2020 Base Year)[[3]](#footnote-4) |
| **Low** | **0.68** | **10** | **0.00[[4]](#footnote-5) Optional** | **0.61 Optional** |
| **High** | **0.80** | **10** | **0.00 Optional** | **0.72 Optional** |
| **Best Estimate** | **0.74** | **10** | **0.00** | **0.67** |

## BUSINESS ASSESSMENT (Option 2)

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| --- | --- | --- |
| **Direct Impact on business (Equivalent Annual) £m** |  |  |

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| --- | --- | --- | --- | --- |
| **Costs:0.07** | **Benefits:0** | **Net:-0.07** |  |  |

## Cross Border Issues (Option 2)

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| **How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)** Maximum 3 linesIn Wales the statutory Food Hygiene Rating Scheme is set out in primary legislation and associated secondary legislation however there is no legal requirement for businesses to display their ratings online. Voluntary schemes operate in England and Scotland. There is no similar scheme operating in Republic of Ireland. |

## Background

1. The Food Hygiene Rating Act (Northern Ireland) 2016 introduced a statutory food hygiene rating scheme in Northern Ireland (NI). The legislation includes provisions which make it mandatory for food businesses in NI to display food hygiene rating (FHR) stickers at their premises and, if consumers can order food online, to display their FHR online in a specified manner. Section 7(3) of the Act makes provision for the Department to introduce Regulations regarding the display of ratings online by food business operators who supply consumers with food that they order using an online facility. The requirement was introduced at the committee stage of the Food Hygiene Rating Bill (precursor to the Act) at the request of the members1.
2. Secondary legislation has been implemented to require the display of the FHR at physical establishments however there is currently no legislation in place to regulate display of the FHR online. The last remaining provision of the Act which requires underpinning secondary legislation is the FHR online display requirement. A new piece of legislation is therefore required.
3. The objective is to introduce secondary legislation that will underpin the online display provision set out in the Food Hygiene Rating Act (Northern Ireland) 2016. This will require food businesses in NI providing food online by means of an online order facility to display a valid FHR online. This will act as an important commercial driver for food businesses to maintain and improve compliance with food hygiene law. It will provide consumers with information to help them make informed choices when ordering food online and promote public health protection. While the proposed regulations will apply only to businesses within scope of the statutory Food Hygiene Rating Scheme in NI, the FSA will be putting in place a range of measures to support and encourage businesses across England, Wales and NI to display their FHR online.
4. FHRS data gathered since the introduction of the food hygiene rating scheme Northern Ireland in 2011 has demonstrated how the policy objectives of the scheme and subsequent legislation have been met. As illustrated by the findings depicted in Figure 1, the introduction of the Act in 2016 and the implementing regulations was followed by a substantial increase in 5 rated premises, and the number of 0,1 and 2 rated businesses fell to less than 1%. The most recent FSA commissioned food hygiene rating display audit has shown that 83% of food businesses in NI receiving a rating of less than 5 stated they have taken action to improve their rating[[5]](#footnote-6). The research also reported that in Northern Ireland 94% of surveyed businesses were in favour of mandatory online display of food hygiene ratings.

### Figure 1 – Profile of Food Hygiene Ratings in NI 2015 -2021**[[6]](#footnote-7)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Rating** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| Very Good | 64.7% | 72.4% | 75.9% | 77.4% | 79.01% | 80.93% | 83.47% |
| Good | 23.6% | 20% | 17.6% | 16.7% | 15.63% | 14.53% | 12.93% |
| Generally satisfactory | 8.8% | 6.3% | 5.4% | 4.9% | 4.37% | 3.66% | 2.93% |
| Improvement necessary | 1.8% | 0.8% | 0.8% | 0.8% | 0.64% | 0.54% | 0.35% |
| Major improvement necessary | 1.1% | 0.4% | 0.4% | 0.4% | 0.34% | 0.34% | 0.32% |
| Urgent improvement necessary | 0% | 0% | 0% | 0% | 0.01% | 0% | 0.01% |

1. FSA analysis has shown statistically significant links between increased compliance and other positive measures of food safety, namely the proportion of unsatisfactory microbiological sample results and foodborne disease outbreaks, ultimately lowering the risk to consumers from foodborne illness (UK).[[7]](#footnote-8) Strengthening the scheme with a requirement to display ratings online as well as at a food business’s establishment would create incentives for businesses to increase their compliance levels, which would protect public health and contribute to a reduction in the economic burden of foodborne illness. For every 1% increase in compliance rates, it is estimated that 5,000 cases of foodborne disease may be prevented. Using cost-of-illness estimates, this is equivalent to a saving of £21 million in terms of financial costs and the value of pain and suffering to the UK society.
2. In 2016 FSA NI commissioned independent research to understand consumer needs around FHRS information when ordering food online[[8]](#footnote-9). Participants considered that FHRS information was needed early in their online ordering journey to allow them to make informed decisions. Clarity and visibility of the display of rating were also key factors for providing customer assurance, as well as presenting FHRS information in an accessible and easy-to-use format. Due to the immediacy of online food ordering, participants overwhelmingly preferred the food hygiene rating itself to be displayed (rather than clicking on to another webpage) as this would empower consumers to make quick decisions on online platforms where convenience and speed were fundamental.

## Problem under consideration and rational for intervention

1. The FHRS is a key part of the FSA’s work to reduce information asymmetry by ensuring that consumers are informed and empowered. The statutory Scheme in NI provides transparency to consumers about hygiene standards at the time of inspections by requiring a food business to display their rating at or near an entrance and by publishing the rating on the FSA’s ratings website. The significant increase in online food ordering in recent years[[9]](#footnote-10), a shift fuelled by the covid-19 pandemic, has highlighted the need to extend this transparency about hygiene standards in food outlets, made available to consumers through FHRS, to the online food ordering market. Without public provision of information online, consumers do not have the same level of information about hygiene standards as food businesses do. This information asymmetry can lead to a situation in which consumers order food from poorly compliant businesses more than they would if they were aware of these standards, imposing public health risks and associated societal costs such as public health burdens originating from the prevalence of foodborne disease. Knowing the facts, allows consumers to make better informed decisions about the food they eat.
2. From an industry perspective, affording consumers the opportunity to make informed choices when also ordering food online provides a strong incentive for businesses to achieve and maintain compliance with existing food hygiene law. Improved standards and sustained compliance contribute to reducing the public health burden of foodborne illness, while providing businesses with an effective basis for earned recognition resulting in fewer inspections. For district councils, this increase in compliance rates will further reduce frequency of inspections enabling similar resource efficiencies and reallocations, as well as reducing the need for formal enforcement action, allowing these resources to be directed to poorly performing businesses.
3. The Food Hygiene Rating Act (Northern Ireland) 2016 introduced a statutory food hygiene rating scheme in Northern Ireland. The legislation includes provisions which make it mandatory for food businesses to display food hygiene rating stickers at their premises. The Food Hygiene Rating Regulations (Northern Ireland) 2016 make provision in relation to food hygiene ratings under the Act insofar as they prescribe the form of a Food Hygiene Rating Sticker to be issued under section 2(2) of the Act and specify the location and manner of display.
4. The Act also includes a regulation making power regarding the publication of ratings online by food business operators who supply consumers with food that they order using an online facility. The requirement was introduced at the committee stage of the Food Hygiene Rating Bill (precursor to the Act) at the request of the members[[10]](#footnote-11).
5. In order to satisfy the provisions in relation to the online display of food hygiene ratings, detailed in section 7 (3) of the Act, secondary legislation is required. Without government intervention, it is unlikely that all sectors of the online food ordering market operating in NI will provide the required information.

### Policy Objective

1. The policy objective is to:
* To ensure the full implementation of the statutory food hygiene rating scheme in Northern Ireland by enacting Regulations to give effect to the online display provision of the Act (as per Section 7 (3))
* Achieving the above objective will allow the full scope of the Act, with regard to statutory display of a business’s food hygiene rating, to be implemented. The outcome will provide consumers with information about the hygiene standards in food businesses enabling them to make informed choices when ordering food online. In practice this will provide a strong incentive for businesses to achieve and maintain compliance with existing food hygiene law which in turn will contribute to reducing the public health burden of foodborne illness.

### Policy options

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| **Option 1:** | **'Do nothing': do not implement secondary legislation mandating the online display of FHRs**Without the secondary legislation the provision regarding online display in the Food Hygiene Rating Act (Northern Ireland) 2016 would be ineffective and could not be implemented. |
| **Option 2:** | **‘Introduce secondary legislation’** which will underpin the online display provision set out in the Food Hygiene Rating Act (Northern Ireland) 2016.The proposed regulations will outline which food businesses are within scope of the food hygiene rating online display requirement, the location and manner of display, and the form that the food hygiene rating must take online.  |

### Option 1 'Do nothing', not to put forth any secondary legislation or guidance’

1. This option is not appropriate as it would not be possible to introduce the online display provision within the Act without the secondary legislation to underpin it, a requirement which was introduced at the committee stage of the Food Hygiene Rating Bill at the request of the members. Furthermore, this option would leave the aforementioned asymmetric information problem unaddressed in online settings, possibly leading to consumers ordering food from poorly compliant businesses more than they would if they were aware of these standards, increasing public health risks and associated societal costs, such as lost productivity for businesses and increased public health burdens for public services. For the purposes of this impact assessment and the options appraisal contained within, it is considered that there are no cost and no benefits to be gained from this option. This is the baseline to which other alternatives are compared.

**Preferred option**

### Option 2 ‘Introduce secondary legislation’

1. This option is preferred as it provides the only viable option for achieving the policy objective by ensuring the effective implementation of the online display provision within the Act. This will allow the full scope of the Act with regard to statutory display of a business’ food hygiene rating to be implemented and fulfil the request of the Health Committee of the NI Assembly. This option would also address the asymmetry of information currently experienced by consumers in online settings, leading to better-informed food ordering choices by consumers, and making businesses more accountable to their customers. With consumers becoming more aware of businesses’ ratings when ordering food online, a shift away from ordering from non-compliant businesses to more compliant businesses can be expected (an assumption based on consumer-claimed behaviours[[11]](#footnote-12)), further reducing the prevalence of foodborne disease and associated societal costs.

### Option 2 Implementation Plan

1. The aim is to introduce the statutory rule in spring 2023. Given that the offences already exist in section 10 of the Act once there can be no transitional arrangements made in terms of delaying offences. The same is true of fixed penalty notice provisions in section 11 of the Act. As with the introduction of the Act and implementing regulations, we propose that district councils adopt a graduated approach towards requiring businesses to comply with the proposed regulations.
2. All 11 district councils will be responsible for operating the statutory food hygiene rating scheme and for monitoring compliance of food businesses with the provisions of the Act and associated secondary legislation that relate to them including the online display provision.
3. The FSA is responsible for the administration of the statutory scheme and providing resources and operational support to local authorities operating it. To support the proposed legislative requirements, FSA has developed a range of freely accessible digital icons which will deliver improved digital imagery that support the FHRS brand and meet new accessibility requirements. [Guidance](https://www.food.gov.uk/business-guidance/food-hygiene-rating-scheme-online-display-guidance) has been produced by FSA to assist food businesses in adding the FSA FHRS icons to their online platform. This will enable businesses to make the most of this new resource and aid compliance with proposed legislative requirements.
4. At present food hygiene rating data published at [www.food.gov.uk/ratings](http://ratings.food.gov.uk/) are available via an application programming interface (API) in XML and JSON formats. This is a free service and guidance for developers is available.​ The API allows developers access to the underlying food hygiene rating data published at [www.food.gov.uk/ratings](http://ratings.food.gov.uk/). Developers can query XML files to return the geocoded data and the data are updated daily.​ FSA are currently engaged with online platforms to find out how they use this data. As a result of this engagement workstreams are being progressed to make the API more robust and easier for businesses to use.
5. FSA have been engaging with trade associations, online chain establishments and delivery platforms on the key proposals within the draft legislation. The feedback gained from this engagement has been used to tailor the draft legislation and associated guidance so as to meet the needs of businesses now and in the future, whilst maintaining the policy objectives of the legislation.

## **Monetised and non-monetised costs and benefits (option appraisal)**

### Option 1 'Do nothing', not to put forth any secondary legislation or guidance’

1. This option is not appropriate as it would be impossible to introduce the online display provision within the Act without the secondary legislation to underpin it. Option 1 is the baseline against which all other options are appraised. We do not have any evidence that suggests that any important variables in the baseline will change significantly over time without intervention. Given this, the costs and benefits in the baseline across time assume current levels of consumer awareness, business compliance and instances of foodborne illness.

### Option 2 ‘Develop secondary legislation’

1. The cost-benefit analysis that follows assesses a range of different costs and benefits that we expect under option 2. These are:

### One-off costs and benefits

* **Familiarisation costs:** one-off costs for all affected stakeholders (businesses and district councils) to acquaint themselves with the proposed changes;
* **Informing businesses**: one-off cost for district councils to inform businesses of the changes;
* **Promotion:** one-off costs for FSA to promote the new online display requirements;
* **Updating websites:** one-off costs for online food ordering businesses and aggregators to display ratings on their websites
* **IT costs:** one-off costs for district councils covering the following: internal online access requests, production of local promotional materials, and updates to online processes and MIS codes
* **Additional enquiries:** FSA and district councils are anticipated to face a transitory increase in queries from consumers and businesses leading up to and into the first of implementation
* **Additional monitoring:** District councils will be required to monitor compliance with the proposed additional regulations in the first year using a risk-based approach, with an intelligence and surveillance based approach adopted thereafter. For the purposes of this impact assessment this is classified as a one-off cost.

### Ongoing costs and benefits

* **Re-ratings:** Businesses may request a re-rating following the introduction of mandatory online display. These costs will be recovered by district councils and therefore are a cost to industry.
* **Foodborne disease:** benefits to consumers that are associated with reduced incidence of foodborne disease (including a reduction in costs associated with productivity losses to industry, loss of earnings incurred by the sufferer and carers, burdens on the NHS and pain and suffering). We are unable to provide these estimates by affected stakeholder group at this stage (non-monetised).
* **Growth in online ordering market:** Improved consumer confidence could see an accentuation of existing post-COVID shifts in consumer ordering behaviour towards online ordering (non-monetised).
* **Efficiency gains:** As more businesses become compliant with regulations and achieve earned recognition status, district councils will enjoy reduced inspection volumes and reduced resource requirements for enforcement action, freeing up resources for other uses (non-monetised).
* **Reduced burden of enforcement:** As businesses become more compliant and achieve higher FHR outcomes, they will be inspected less as inspection frequencies are risk-based, decreasing the time businesses have to dedicate to inspection activities (non-monetised).

### Non-monetised costs and benefits

* Potential outcomes from the legislation where it is currently not possible to quantify their impact. Where we are unable to quantify expected impacts, we have explained in detail why the required data is not available and how we seek to substantiate the assessment and our understanding going forward.
1. The 2022/23 annual funding which the FSA provided district councils towards the delivery of food safety and standards took into account the forthcoming adoption and implementation of the FHRS online regs. For this reason, a separate lump-sum district council support payment for the implementation of this policy has not been included for the purposes of this impact assessment.
2. To ensure consistency in our calculations we have adopted the Standard Cost Model (SCM) approach published by BEIS. Where we have used wage rate data we have taken hourly wage rates from the 2021 Annual Survey of Hours and Earnings (ASHE)[[12]](#footnote-13), using the median rate of pay and uplifting by 22% to account for overheads in line with Regulatory Policy Committee[[13]](#footnote-14) guidance.
3. For the purposes of monetisation of costs and benefits for this impact assessment, the FHRS database was used to obtain a total number of businesses, with this total figure across all FHRS categories recorded as 17,360 businesses as of 31st March 2022. From this total, the following categories have been deemed in scope of this secondary legislation relating to online display: ‘Farmers/Growers’, ‘Importers/Exporters’, ‘Distributors/Transporters’, ‘Manufacturers/Packers’, ‘Mobile Caterers’, ‘Other Caterers’, ‘Restaurants/Cafes/Canteens’, ‘Takeaway/Sandwich Shops’, ‘Retailers’ and ‘Other Retail’. The number of businesses in these categories is 12,779. The 2019 BMG report found that 26% of businesses in Northern Ireland had an online ordering facility[[14]](#footnote-15), be it their own facility through social media or a website, or the use of an aggregator. Unless an alternative methodology is outlined, monetisation of costs or benefits referring to multiplying by the number of businesses will use this figure in calculations. Some doubt remains as to the total accuracy of this 26% estimate, as the report was commissioned and published pre-pandemic, and thus does not reflect the significant shifts in consumer behaviour which resulted from the pandemic, which reflects an increase in online ordering activity in both food-related industries and more generally. FHRS research such as the annual FHR display audit and business survey was paused during the pandemic, meaning this was the latest available published data and insight on the topic.
4. In addition, for the monetisation of costs for district councils relating to additional monitoring requirements for online display, the FHRS database was used to obtain the number of businesses rated less than or equal to 2 for each of the in-scope categories listed above, as of 27th May 2022. This yielded a total of 125 registered businesses, and this figure is used accordingly in calculations for these monitoring costs.

## One-off and ongoing costs to district councils

### One-off Familiarisation costs

1. Currently all 11 district councils in Northern Ireland are operating the statutory FHRS enforcing each provision within the FHR Act with the exception of the online display requirement. All food officers in Northern Ireland would need to become familiar with the additional requirements under the FHR online display regulations. There were approximately 58 Full Time Equivalent (FTE) Environmental Health Officer (EHO) posts in Northern Ireland in relation to food hygiene, according to the Local Authority Enforcement Management (LAEMS) annual return for 2019/20, which was the latest available.
2. Familiarisation costs are quantified by multiplying the wage cost of the relevant official (EHO) with the time spent on familiarisation. It is estimated that it would take an EHO approximately 30 minutes to familiarise themselves with the new requirements. The median hourly wage cost of an EHO is £25.16.[[15]](#footnote-16)Multiplying this with the time spent on familiarisation and the number of EHOs in Northern Ireland generates a total cost of familiarisation to enforcement of £680 in the first year only, equating to an approximate cost per council of £62.

### One-off cost of increased level of enquiries

1. District councils have informed FSA that they anticipate an increased level of enquiries regarding the online display provision of the scheme from businesses and consumers. For this reason, FSA has produced guidance to assist businesses to comply with the new requirements which will be brought to the attention of businesses through a targeted social media campaign and can be signposted via district council websites. Following engagement with district councils and internal discussion between policy and analysts to gauge anticipated additional enquiry times, it is estimated that each district council would receive an additional 20 minutes of enquiries, 5 days a week for the 12 weeks prior to the regulations coming into operation and the proceeding 24 weeks after the regulations come into operation. This represents a total increase in time spent on enquiries of 60 hours. The cost can be monetised by multiplying these additional required hours by the wage cost of the official handling these enquiries; which would be an EHO. The median hourly average wage cost of an EHO is £25.165. Multiplying this wage cost with the additional number of hours results in a total one-off cost to the 11 district councils of £17,000.

### One-off cost of informing food businesses

1. The total cost of informing businesses is calculated as a time cost plus a postage cost. The time cost consists of the preparation time involved in getting the letter ready to send out. These time costs are derived by multiplying the median hourly wage cost of the administrative staff[[16]](#footnote-17) involved in the preparation time (£17.01) with the assumed time required per business (5 minutes to produce and post the letter), and the number of businesses affected (12,779 businesses in FHRS categories deemed within scope). Therefore, the total time costs are £18,000. The postage cost (£0.66) and stationery costs (£0.10) are calculated by multiplying the number of businesses by their respective costs per letter, with the sum of the postage and stationery costs totalling £10,000. This results in a total cost of informing businesses of £28,000 after aggregating the time, postage and stationery costs.

### One-off cost of updating IT systems and procedures

1. Feedback from district councils has indicated that some Environmental Health Departments do not currently have access to social media websites such as Facebook and Instagram. In order to monitor compliance with the proposed regulations it is essential that authorised food control officers have access to all platforms where food is sold online. It is not clear how many district councils will require extra permissions, however if we assume it takes 15 minutes per officer (58 food officers across 11 district councils) the approximate total cost of allocating the necessary permissions is £260. This is calculated by multiplying the uplifted wage of an IT user support technician (£18.01)[[17]](#footnote-18) by the assumed time taken to grant access (15 minutes) and the number of FTE who require this access (58).
2. The proposed legislation will also require the addition of codes to the district councils’ Management Information Systems (MIS) which allow non-display of FHRs online or invalid display of FHRs online to be recorded. The creation of new codes and disseminating to food officers will cost approximately £2,100, assuming this code generation process will take 7.5 hours of EHO time at an uplifted hourly wage rate of £25.16.
3. Feedback from district councils has also highlighted that the introduction of new legislative requirements will require existing standard operating procedures in relation to FHRS and food hygiene inspections to be amended/updated. It is estimated that it will take each council approximately 7.5 hours to update existing procedures at a total cost of £2,100, again assuming it is an EHO that will undertake this work.
4. District Councils have indicated that they will carry out various promotion campaigns to raise awareness of the proposed legislative requirements via their social media channels, council websites and council newsletters. Total costs are estimated at £2,100, assuming production of the materials will take 7.5 hours of EHO time. Therefore, the total one-off IT costs to district councils are approximately £6,500 incurred in the first year after implementation.

### One-off cost of monitoring

1. At present district councils monitor and enforce the requirements for food businesses to display their ratings at their establishments. The new online display requirement will extend these activities to include a business’s online sales platform.
2. Feedback from district councils and FSA analysis has highlighted that undertaking an online check prior to, or following, every inspection of a food business would incur significant costs for district councils in terms of the additional time required and may not be an efficient approach to monitoring compliance. FSA propose therefore to recommend district councils adopt a public health led approach when monitoring compliance with the proposed regulations, focusing any monitoring on businesses that are not broadly compliant, i.e. businesses with a 0, 1 or 2 rating. This will reduce the impact on district councils and maintain a risk-based and proportionate approach, whilst targeting resources to achieve the greatest public health benefit.
3. All businesses should be informed or reminded of the new requirement during programmed inspections, however a follow-up online check of businesses rated 0, 1 and 2 would be carried out within 3 months following an inspection. This administrative check would be implemented as a one-off monitoring exercise relating to any inspection of a 0,1 or 2 rated business in the first year following the proposed regulations coming into operation. Any further investigation and follow-up would be carried out by an authorised officer. To reduce the impact on district councils the long-term approach for monitoring compliance with the proposed regulations should be based on intelligence (complaints from members of the public/businesses/others, intelligence gathered during routine inspections etc), focused initiatives (agreed among regional groups), findings from FSA surveillance projects (commissioned research) and digital surveillance tools (FSA are assessing the potential of an online image detection tool which will provide an automated solution to finding business websites and establishing whether they are displaying an FHRS rating).
4. The proposed regulations will require businesses to display their food hygiene rating in a readily seen location prior to the point of order or the point of selection (whichever comes first in the customers journey). As the FHR is required to be displayed at this early point in the customer’s journey, district councils will not be required to carry out extensive searches during the proposed one-off online checks. Furthermore, FSA are currently engaged with platforms who currently use the FHRS open data sets, such as Just Eat, Deliveroo and Uber Eats, to ensure that they are aware of the proposed legislative requirements with regard to location and manner of display of food hygiene ratings. Taking this into account and based on online searches carried out internally by FSA, it estimated that the time spent on online monitoring should take approximately 5 to 10 minutes per business.
5. Based on the median hourly wage cost of administrative staff (£17.01) and using the aforementioned figure of 125 businesses from [ratings.food.gov.uk](https://ratings.food.gov.uk/) (as of 27.05.2022) related to the number of 0, 1 and 2 rated businesses in NI, a 5-10 minute online check for each 0, 1 or 2 rated business would equate to a total cost across all 11 district councils of £270. As this is a one-off check there are no ongoing costs associated with monitoring compliance of the proposed regulations.

Question 1: Do you agree with the monitoring approach outlined above? If you do not agree please provide reasons why and where appropriate provide alternative approaches to monitoring food business compliance with the proposed requirements.

### Targeting non-compliant businesses

1. District councils have informed FSA that non-compliant businesses who sell food online may require focused visits to assist them with improving their current rating. As of 27th May 2022 a total of 125 businesses across the 11 district councils had a food hygiene rating of less than 3 (not broadly compliant). It is estimated that approximately 26% of these will have an ordering facility[[18]](#footnote-19) which equates to approximately 33 businesses falling into this category. Considering how these 33 not broadly compliant businesses are spread across the 11 district council areas, and the recommended graduated approach to enforcement of the requirements by district councils, it is envisaged that non-compliances can be addressed during routine, programmed food hygiene inspections, and will not require additional resources. Consequently, there are no additional costs associated with the proposed legislation as a direct result of this approach.

### Ongoing cost of enforcement action

1. In cases of non-compliance, local authorities would need to take enforcement action against those businesses that fail to display their ratings. Such enforcement action would also be carried out at routine hygiene interventions as with enforcement for other food business non-compliance. The BEIS IA Tool Kit Guidance advises that impact assessments should assume 100% compliance with the regulatory requirement unless there is evidence to the contrary. We have followed this advice and have therefore not calculated this potential cost.

## Ongoing costs associated with appeals, re-rating visits and ‘right to reply’ (FHRS safeguards)

### Appeals

1. To ensure fairness to businesses, district councils must have an appeals procedure in place for Operators to dispute the food hygiene rating given in respect of their establishment. If an FHRS-registered business would like to contest the FHR they were awarded at their latest and recent inspection, because they feel it is not a fair reflection of the food hygiene practices on display, they can appeal the rating given. This cost is covered by district councils and is not recovered by charging businesses. District councils have indicated to FSA that they anticipate an increase in appeals due to the proposed regulations. In the context of appeals, re-ratings and right to reply applications, the same monetisation approach was applied, assuming a 15% annual increase in the number of each safeguard in the first five years, before this rate of increase tails off by 50% for the last five years of the appraisal period. Total Northern Ireland FHRS data for all three safeguards was adjusted to isolate the assumed 26% of businesses operating online who would seek to use these safeguards. In the case of appeals, following these adjustments and implementation of the model, an increase of less than one appeal per year was estimated, and thus the potential appeals cost of this secondary legislation was not monetised.

### Requests for re-ratings

1. Food businesses can request a new rating visit by an EHO to be conducted if they feel that since their last inspection there have been improvements in food hygiene practices significant enough to be awarded a new rating. It is anticipated that the proposed regulations will result in district councils receiving an increase in the number of applications for re-rating inspections. As costs for requested re-rating inspections are recovered via a mandatory fee paid by the business, costs associated with this safeguard will be considered under costs to businesses. The exact associated cost of expected re-rating activities is therefore outlined in Paragraph 48 in the ‘One-off and ongoing costs to Businesses’ section of this Evidence Base.

### Right to Reply

1. Operators have a ‘right of reply’ which may be published at food.gov.uk/ratings. The purpose of the ‘right of reply’ is to enable the Operator to give an explanation of actions that have been taken following the inspection at which the rating was given or to give any information on particular circumstances at the time of the inspection. At the time of writing no businesses in NI on the FSA’s ratings website were using the right to reply safeguard. The historically low use of the right to reply safeguard would indicate that the proposed regulations would not have a significant impact on district councils through this mechanism.

## **One-off and ongoing costs to Businesses**

### One-off familiarisation costs

1. Under Option 2, there would be costs for businesses to read and familiarise themselves with the new online display requirement. The online display requirement would not need to be disseminated to all staff as only certain personnel involved in the food business’ online presence would be required to action this requirement. It is estimated, from consultation with industry stakeholders, that familiarisation and dissemination would take 0.5 hours.
2. Familiarisation costs are quantified by multiplying the time it will take for a relevant employee, who oversees the business’s online ordering facility, to read the requirements of the online display regulations with the wage cost of that employee. We assume that familiarisation will be the responsibility of the manager, and that it will take one manager per business half an hour to familiarise themselves with the requirements of the scheme. We envisage that the cost of disseminating this information to other staff in the business will be negligible. This is dependent on the information provided to businesses about the statutory scheme being clear and easy to understand.
3. The median hourly wage of managers in the affected sectors ranges from £13.35 to £27.94 (including an uplift of 22% to account for overheads) according to the latest ASHE wage dataset for 2021.[[19]](#footnote-20) Multiplying the median wage for each category with the total time required for familiarisation (0.5 hours) results in an average cost per business of £7.71, and a total one-off cost to industry in the first year of the appraisal period of £99,000. This is considered to be an upper estimate, because for aggregators, carriers, chain supermarkets and franchised businesses familiarisation might only take place at a senior (business) level, rather than in each establishment.

### One-off cost of updating online facilities

1. In order to comply with the provision to display a valid rating online, businesses will be required to update their online facility. This will impose a cost for businesses that have their own online food-ordering facilities and also to online intermediary (also commonly referred to as delivery/aggregator) platforms. This cost will come in the form of updating the website or online platform to allow for the display of food hygiene ratings in line with the location and manner of display as defined in the proposed legislation. The legislation has been constructed to require a business to display their rating online at a point equivalent to the door/window of a physical establishment, therefore the appropriate location of display is dependent upon the consumer journey when using different types of online facility. The manner of display is defined as readily seen and easily read, in line with the wording in the Food Hygiene Rating (Regulations) NI 2016.
2. There remains a very high level of uncertainty around the true number of online businesses that are operating and that would need to display their FHRS rating. The following estimates are based on the FSA’s latest evidence and insight but might underestimate the true number of affected businesses as the FSA might not be aware of all (unregistered) businesses currently operating in the market. Assumptions might need to be adjusted as new information becomes available. The FSA would appreciate stakeholders’ views on the expected number of affected businesses.
3. The estimated cost of uploading a rating icon or updating online facilities to enable display of a rating icon ranges from £0 to £5,000 depending on the type of online facility used. The cost of updating the online facility to allow for the display of FHRS ratings will vary significantly from business to business depending on their size and the nature of their online presence. However, it is assumed to be very small for the majority of affected stakeholders due to FSA making hygiene ratings freely available as open source data and the automatic update of new ratings mechanism built into the rating coding.
4. The estimated cost range of £0 - £5,000 per business consists of three cost bands: £0, £250 and £5,000. Costs for small to medium sized businesses that only use social media pages and marketplace facilities are estimated to be £0, as these businesses will be able to access the forthcoming guidance to assist businesses to add the new digital online icons to their website or social media page. The digital icons and guidance will be freely available, thus the only cost involved is a time cost of placing the image in the appropriate area of the social media ordering page, which is assumed to be negligible. The second band of £250 has been applied to businesses using their own bespoke website to host an ordering facility and attempts to capture the web development costs associated with updating the website to display the FHR sticker. The final £5,000 band applies to online ordering aggregators and attempts to capture similar web design costs to the £250 band, but account for the increased costs associated with the increased scale and complexity of these aggregator websites and mobile applications. These three cost thresholds mirror analysis conducted as part of the impact assessment for introducing mandatory physical display in England. While there remains a high level of uncertainty around these figures, there is reasonable confidence in the notion that social media marketplace sellers would incur zero cost from adding an FSA-supplied FHR sticker image to their profile, as well as the general trend that the greater web development costs would be incurred by the larger online ordering aggregators.

| Question 1:Do you agree with the estimated costs of updating your online facilities? If you do not agree please provide estimated costs and provide reasons for your suggestion |
| --- |

1. For the purposes of quantifying these online display update costs for this impact assessment, the 12,779 businesses in scope of this secondary legislation have been allocated to each of the bands in the following way: The 2019 BMG report found that 17% of businesses in Northern Ireland used their own bespoke online ordering facility, 28% of which already displayed their FHR sticker voluntarily.[[20]](#footnote-21) Applying these figures to the 12,779 businesses in scope of the new legislation, it is estimated that 2,172 businesses use their own online ordering facility, with 608 reporting that they already display a rating, leaving 1,564 businesses with the task of updating their websites. This classification of already displaying a rating does not necessarily indicate that the location and manner of display of that rating is in-line with the proposed regulations. However, this was the only available figure that could account for some businesses already voluntarily displaying online and not incurring update costs. Separate analysis undertaken by FSA analysts[[21]](#footnote-22) took a non-randomised sample of 647 businesses across all 11 district councils from the in-scope categories, and recorded various characteristics of their ordering facilities, including whether an independent website and/or an aggregator, and/or social media were used. This analysis found that 18% of the sample used social media to process orders, and this percentage was applied to the 1,564 businesses to allocate 280 businesses to the £0 band associated with social media ordering, and all remaining businesses (1,284) to the £250 band relating to independent websites. One potential caveat of this approach is that businesses within these in-scope categories could be systematically more likely to have an online or social media ordering facility, making this percentage an overestimate in relation to the broader Northern Ireland business population. However, the categories deemed in scope for this impact assessment broadly mirror the BMG report (2019) from which online presence figures used in this analysis have been utilised, providing consistency.
2. This same analysis identified 20 distinct aggregators in use across the sample, and this figure was upscaled to 67 aggregators when adjusted to represent the 2,172 businesses with online ordering facilities of some kind. There is a risk that the number used is an overestimate, given that the process of upscaling this total from the sample to the broader number of businesses in scope did not completely adjust for several individual businesses using the same aggregator. Therefore, multiplying the number of entries in each band by its associated cost, a total one-off cost to industry in the first year of £657,000 was estimated.

| Question 2:Are the identified groups of online businesses representative of the online food ordering market? If you partly agree or do not agree please identify other affected groups that should also be considered and provide reasons for your suggestion.Question 3:Do you agree with the estimated number of identified online food ordering businesses in each group that are operating in Northern Ireland? If you partly agree or do not agree please provide an estimate of the number in the relevant group(s) and provide reasons for your suggestion. |
| --- |

### Ongoing cost of requests for re-rating inspections

1. It is anticipated that there will be an increase in the number of requests for re-rating under the new regulations. Based on the 15% assumed increase outlined earlier, and the number of requested revisits received by district councils between April 2021 and March 2022, is it is estimated that there will be an increase of 4 requests for re-rating inspections in the first year at a cost of £220, based on the assumption of each re-rating application taking 2.2 hours of EHO time. It is assumed that this rate of additional re-rating requests will continue for the first five years of the appraisal period, before tailing off by 50% to result in a 7.5% annual increase for the remaining five years (2 additional re-rating requests per year at an annual cost of £110 to businesses). This generates a total cost across the ten-year appraisal period of £1,600.

## One-off costs to FSA

### Increased levels of enquiries

1. It is anticipated that the FSA would be required to handle a transitory increase in the level of enquiries regarding the online display provision of the scheme from businesses, consumers and district councils. FSA staff estimates that an additional 25 hours would be required in the first six months. This administrative cost can be monetised by multiplying the hours required by the wage cost of the official handling these enquiries, which would be a Senior Executive Officer (SEO). The estimated hourly average wage cost of an SEO is £28.75 as of 2021. Multiplying this wage cost with the additional number of hours (25) results in a total one-off cost in year one of the policy of £720. To help alleviate the additional burden of this increased level of enquires and to assist food businesses, an FSA Q&A will be developed to answer anticipated queries.

### Marketing and promotion of the scheme

1. There would be a one-off cost to the FSA for a digital campaign to be carried out within eight weeks prior to the introduction of the regulations, to raise awareness of the changes amongst businesses and district councils. Media activity will be planned to mark the introduction of the proposed online display requirement. These costs would include all costs associated with the development of a digital marketing campaign, including social media assets, digital advertisements, promoted and targeted social media content, promotion in online and trade publications and advertisement spend. It is estimated that this would be a one-off cost of approximately £20,000 in the year of introduction of the proposed regulations. It is not expected that ongoing promotion of the online display requirement will result in any additional costs to the ‘Business As Usual’ promotion of the current statutory Scheme, and as such the costs from year two onwards form part of existing budgets and are zero for the purpose of identifying additional costs linked to this legislation in particular for this impact assessment.

## Benefits to business

### Long-term benefit of reduced burden of enforcement

1. The current statutory scheme has demonstrated the incentive for compliance that was achieved by mandating the requirement to display a food hygiene rating physical sticker. Extending the requirement to include displaying their FHR online would further increase business compliance with food hygiene law. The subsequent higher ratings (with earned recognition resulting in reduced inspection frequencies) received by food businesses could see them gain from reduced costs as they may be able to allocate their time and resources to business activities rather than inspections. The incentive (provided by extending the existing statutory scheme to online display) for businesses to improve and maintain standards would be expected to ensure that improved compliance continues its upward trend initiated by mandating physical display of the food hygiene rating sticker, consequently reducing the future need for enforcement action at district council level, or further legislation at central government level. If online food ordering platforms operating in England, Wales and Northern Ireland update their platforms in line with the proposed regulations on a UK wide basis, these benefits will be realised by businesses across England and Wales, as well as Northern Ireland. This benefit cannot be monetised due to a lack of enforcement data with the necessary granularity to conduct the analysis required.

### Growth of the online food ordering market

1. Making the online display of ratings mandatory could increase consumer awareness of food hygiene practices in food establishments and give consumers increased confidence in ordering food online, particularly with new businesses or businesses they are unfamiliar with. This increased transparency could have the effect of growing the market by increasing consumers’ confidence in the online food industry. FSA commissioned research has shown that adults aged 44 years or under (e.g., 42% of those aged 35-44 years) were more likely to have ordered food or drink from an online marketplace than those aged 55 years or over (e.g., 11% of those aged 75 years and over). Similarly, adults aged 44 years or under (e.g., 20% of those aged 16-24 years) were more likely to have ordered food or drink from social media than those aged 55 years or over (e.g., 8% of those aged 55-64 years)[[22]](#footnote-23). Consumer confidence is an extremely difficult concept to monetise even with access to consumer-level data such as survey results, and as such this benefit cannot be monetised at this time.
2. As well as this impact on consumer confidence and its effect on growing the online food ordering market in absolute terms, it is also possible that mandating online display could affect how these revenues are distributed. With the information asymmetry regarding compliance resolved, consumers will have more information about the standards of hygiene found in a food business at the time of an inspection, enabling them to make more informed choices. As a result, they may take their custom to the higher rated (more compliant) businesses. Over a longer time period this would result in revenues being directly related to compliance levels, incentivising businesses to achieve higher standards of food hygiene and fully realising the benefits of complying with food law and displaying a higher FHR online. For the purposes of this impact assessment, this benefit has not been monetised, due to both lack of data and the status of this benefit as a transfer, which in accordance with impact assessment guidance should not be monetised.

## Benefits to district councils

### Efficiency gains from resource allocation

1. If mandatory online display leads to improved business compliance with food hygiene law as we have seen under the current statutory scheme, this could lead to a further reduction in the number of inspections that district councils need to carry out (inspection frequencies are risk-based). This could in turn generate efficiency gains if district councils are able to reallocate resources to other areas of food safety concern. This benefit is however very difficult to monetise.

## Benefits to Consumers

1. Consumers would realise a benefit in terms of increased confidence as a result of being better able to make informed choices about food they buy online. This benefit is very difficult to monetise without further evidence, as the main benefit to consumers in this context is improved access to information, which could benefit consumers and wider society through a variety of complex channels.

## Summary of Costs and Benefits under Option 2 (including direct cost to business figures)

1. The total estimated nominal cost of Option 2 is £0.83m with a Present Value (2023 PV Base Year) of £0.83m over a ten-year period, of which £0.76m fall on industry. There are no monetised benefits for Option 2, resulting in a net benefit to society of -£0.83m with a PV over a ten-year period of -£0.83m. The Equivalent Annual Net Direct Cost to Business (EANDCB) (2023 PV Base Year) is £0.09m.
2. In 2019 prices, the total estimated cost of Option 2 equates to £0.74m, with a Present Value (2020 PV Base Year) over a ten-year period of £0.67m, of which £0.61m fall on industry. There are no monetised benefits for Option 2, resulting in a net benefit of -£0.74m with a PV of -£0.67m. The Equivalent Annual Net Direct Cost to Business (EANDCB) (2020 PV Base Year) is £0.07m.

**Table 1 - Estimated costs of Option 2 to district councils, rounded to £m[[23]](#footnote-24)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **District Councils** | **Total One-Off**  | **Total Recurring**  | **Total** | **PV (2023 Base Year) Total** | **Annual Equivalent** |
| **Familiarisation[[24]](#footnote-25)** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| **Additional Monitoring[[25]](#footnote-26)** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| **Additional Enquiries** | **0.02** | **0.00** | **0.02** | **0.02** | **0.00** |
| **Informing Businesses** | **0.03** | **0.00** | **0.03** | **0.03** | **0.00** |
| **IT Costs** | **0.01** | **0.00** | **0.01** | **0.01** | **0.00** |
| **Total costs district councils[[26]](#footnote-27)** | **£0.05m** | **£0.00m** | **£0.05m** | **£0.05m** | **£0.01m** |
| Low | £0.05m | £0.00m | £0.05m | £0.05m | £0.01m |
| High | £0.05m | £0.00m | £0.05m | £0.05m | £0.01m |

**Table 2 - Estimated costs of Option 2 to FSA, rounded to £m**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FSA** | **Total One-Off**  | **Total Recurring**  | **Total** | **PV (2023 Base Year) Total** | **Annual Equivalent** |
| **Scheme promotion** | **0.02** | **0.00** | **0.02** | **0.02** | **0.00** |
| Low | 0.02 | 0.00 | 0.02 | 0.02 | 0.00 |
| High | 0.02 | 0.00 | 0.02 | 0.02 | 0.00 |
| **Additional Enquiries[[27]](#footnote-28)** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| **Total costs FSA** | **£0.02m** | **£0.00m** | **£0.02m** | **£0.02m** | **£0.00m** |
| Low | £0.02m | £0.00m | £0.02m | £0.02m | £0.00m |
| High | £0.02m | £0.00m | £0.02m | £0.02m | £0.00m |

**Table 3 - Estimated costs of Option 2 to FBO/Industry, rounded to £m**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FBO/Industry** | **Total One-Off**  | **Total Recurring**  | **Total** | **PV (2023 Base Year) Total** | **Annual Equivalent** |
| **Familiarisation** | **0.10** | **0.00** | **0.10** | **0.10** | **0.01** |
| **Updating online facilities** | **0.66** | **0.00** | **0.66** | **0.66** | **0.08** |
| Low | 0.59 | 0.00 | 0.59 | 0.59 | 0.07 |
| High | 0.72 | 0.00 | 0.72 | 0.72 | 0.08 |
| **Re-ratings[[28]](#footnote-29)** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| **Total costs FBO/Industry** | **£0.76m** | **£0.00m** | **£0.76m** | **£0.76m** | **£0.09m** |
| Low | £0.69m | £0.00m | £0.69m | £0.69m | £0.08m |
| High | £0.82m | £0.00m | £0.82m | £0.82m | £0.10m |

**Table 4 – Total monetised costs and benefits of Option 2, rounded to £m**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **All stakeholders** | **Total One-Off**  | **Total Recurring**  | **Total** | **PV (2023 Base Year) Total** | **Annual Equivalent** |
| **Total Costs** | **£0.83m** | **£0.00m** | **£0.83m** | **£0.83m** | **£0.10m** |
| Low | £0.76m | £0.00m | £0.76m | £0.76m | £0.09m |
| High | £0.90m | £0.00m | £0.90m | £0.90m | £0.10m |
| **Total Benefits** | **£0.00m** | **£0.00m** | **£0.00m** | **£0.00m** | **£0.00m** |
| **Net Benefit** | **-£0.83m** | **£0.00m** | **-£0.83m** | **-£0.83m** | **-£0.10m** |
| Low | -£0.76m | £0.00m | -£0.76m | -£0.76m | -£0.09m |
| High | -£0.90m | £0.00m | -£0.90m | -£0.90m | -£0.10m |

## Rationale and evidence that justify the level of analysis used in the RIA

1. The introduction of mandatory online display would be achieved through secondary legislation supplementing the existing statutory scheme that has been in place in Northern Ireland since 2016. As such, the marginal impacts that are discussed in this impact assessment become more difficult to quantify, as many conventional data sources that served previous FHRS impact assessments have not enabled the separation of physical and online presence. This has been observed most commonly in monetising benefits such as the prevalence of foodborne disease, where switch effects analysis was not undertaken due to time constraints and the small monetised benefit that was anticipated due to existing high business compliance levels. Consequently, several costs and benefits are non-monetised but their importance and impacts are discussed extensively in the evidence base. Where possible, suitable and justified assumptions have been used to obtain values for key variables such as the number of businesses with online presence. This has enabled the monetisation of the costs outlined earlier.

## Risks and assumptions

1. The assumptions involved in monetising costs and benefits have been discussed at length in the respective sections for each cost and benefit, along with any potential caveats these analytical approaches and decisions may introduce.

## Wider impacts

### Small and Micro Business Assessment

1. No specific analysis has been undertaken to formally assess the impact the secondary legislation would have on SME’s or micro businesses. However, the size of a business has been accounted for in the monetisation of some costs, such as the methodology for calculating the cost of updating online facilities (see Paragraphs 44-47). In this scenario, smaller businesses that were more likely to use social media platforms to process orders faced zero cost, representing a reduced cost relative to larger businesses and aggregators. This provides some reassurance that smaller businesses would not be disproportionately adversely affected by the secondary legislation.

### Competition Assessment

1. No specific analysis has been undertaken to formally assess the impact the secondary legislation would have on competition in the food ordering market. However, findings in areas such as in the online facility costs outlined in the above Small and Micro Business Assessment section should ease concerns that industry compliance with the secondary legislation could create financial or practical obstacles that are prohibitive to fair competition in the food ordering industry.

### Potential trade implications

1. The proposed regulations will only apply to businesses who are registered with one of the 11 district councils in NI and fall within the scope of the statutory Food Hygiene Rating Scheme in NI. Therefore, businesses based outside of Northern Ireland who have an online facility through which they supply food (other than pre-packed low risk food) into Northern Ireland will not be required to display their Food Hygiene Rating online.
2. Engagement with NI trade associations has highlighted a concern that this may disadvantage businesses in Northern Ireland who will be required to display a low food hygiene Rating online, however, the requirement to display a food hygiene rating online is not new - the Act already includes provisions which make it mandatory for food businesses to display their rating online in a specified manner, if consumers can order food online. The proposed regulations are required to satisfy those provisions. It should be noted that the requirement was introduced at the committee stage of the Food Hygiene Rating Bill (precursor to the Act) at the request of the members[[29]](#footnote-30).
3. Although the proposed regulations will only apply to businesses in NI, both Wales and England are also in the process of scoping a statutory requirement for businesses, who have an online food ordering facility, to display their food hygiene rating online.

### Environmental Impacts

1. No specific analysis has been undertaken to formally assess the impact the secondary legislation would have on the wider environment, but as the secondary legislation’s focus is on the regulation of online settings, the impact on the environment is expected to be minimal, if any.

### Wider benefits to labour productivity

1. The main benefit to general society would be a reduction in the prevalence of foodborne disease. Increased compliance rates by businesses, as well as better access to information for consumers resulting in better informed ordering choices, would combine to reduce the prevalence of harmful bacteria in food purchased, reducing the prevalence of foodborne disease and improving public health. Assuming the incentive for business compliance in the current statutory scheme will have a similar effect on food businesses with an online ordering facility, FSA analysis has linked higher FHRS ratings to lower levels of microbes found at food business premises, ultimately lowering the risk to consumers of foodborne illness when eating food from higher rated premises[[30]](#footnote-31).  It has also shown statistically significant links between increased compliance and other positive measures of food safety, namely the proportion of unsatisfactory microbiological sample results and foodborne disease outbreaks, ultimately lowering the risk to consumers from foodborne illness. This evidence suggests that mandatory display online could help maintain and/or further improve compliance and in doing so reduce foodborne illness incidence. This would have wider benefits, including a reduction in lost labour productivity for businesses, and reduced public health burden for health services. However, this is very difficult to monetise due to the already very high rate of compliance in NI (99% of food businesses in NI within scope of the Scheme are broadly compliant with food law). Existing switch effects analysis for the introduction of physical mandatory display in England monetised the direct economic benefit of this reduction in foodborne disease prevalence, but a similar process could not be undertaken for this impact assessment for the reasons outlined previously, thus this benefit is non-monetised, but remains of high importance when considering implantation of the legislation. The proposed regulations will allow the full scope of the Act, with regard to statutory display of a business’s food hygiene rating, to be implemented and therefore the full extent of public health benefits intended by the introduction of the Act to be realised.

## Monitoring and evaluation

1. FSA employ a number of means of monitoring and evaluating the operation of the statutory Food Hygiene Rating Scheme in Northern Ireland. They include annual research projects and surveys such as the annual Display of Food Hygiene Ratings Audit and Business Survey, and the Food and You survey. These research projects will be further refined to effectively monitor the impact of the Food Hygiene Rating (Online Display) Regulations (Northern Ireland) 2022 on business and consumers. The on-going monitoring and evaluation of the current scheme in Northern Ireland via continuous FHRS data analysis, quarterly and 6 weekly FSA-DC regional group meetings, annual FHRS steering group meetings and annual FSA-DC audits will be extended to include the requirements of the Food Hygiene Rating (Online Display) Regulations (Northern Ireland) 2022. As with the current statutory Scheme, monitoring and evaluation of the online display requirements will become a ‘business as usual’ task for FSA as it will be incorporated into the already existing extensive mechanisms for monitoring and evaluating the FSA Food Hygiene Rating Scheme.
1. Costs presented in 2019 prices, 2020 PV Base Year [↑](#footnote-ref-2)
2. 2023 chosen as the Base Year to reflect the start of the appraisal period and first year in which the policy will be implemented [↑](#footnote-ref-3)
3. Total cost figures presented in 2019 prices, 2020 Base Year in line with standard requirements for Regulatory Impact Assessments (RIA’s) [↑](#footnote-ref-4)
4. Annual costs are non-zero, and consist of the re-rating costs outlined in the supporting paragraphs [↑](#footnote-ref-5)
5. [Display of food hygiene ratings in England, Northern Ireland and Wales. FSA. BMG Research. Dec 2019](https://www.food.gov.uk/sites/default/files/media/document/display-of-food-hygiene-ratings-in-england-northern-ireland-and-wales.pdf) [↑](#footnote-ref-6)
6. Profile of ratings of food businesses in NI within scope of the statutory FHRS. Dataset extracted from FSA’s FHRS IT database. [↑](#footnote-ref-7)
7. [Evidence of relationship between food business hygiene compliance and measures of food safety (March 2019](https://www.food.gov.uk/research/research-projects/evidence-of-relationship-between-food-business-hygiene-compliance-and-measures-of-food-safety)) [↑](#footnote-ref-8)
8. [Understanding Northern Ireland consumer needs around FHRS information in online retail environments (June 2016)](https://www.food.gov.uk/research/research-projects/understanding-northern-ireland-consumer-needs-around-food-hygiene-rating-scheme-fhrs-information-in-online-retail-environments) [↑](#footnote-ref-9)
9. [Online Food Ordering and Delivery Platforms in the UK – Market Size (2018-2028)](https://www.ibisworld.com/united-kingdom/market-size/online-food-ordering-delivery-platforms/). IBISWORLD [↑](#footnote-ref-10)
10. Northern Ireland Assembly. Committee for Health, Social Services and Public Safety. Official Report (HANSARD) Food Hygiene Rating Bill: Food Standards Agency NI. 26 November 2014 [↑](#footnote-ref-11)
11. [Food Hygiene Rating Scheme, Consumer Attitudes Tracker (Wave 8). Oct 2019](https://www.food.gov.uk/research/behaviour-and-perception/food-hygiene-rating-scheme-consumer-attitudes-tracker-wave-8) [↑](#footnote-ref-12)
12. [Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14,](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/ashe1997to2015selectedestimates)(2021) [↑](#footnote-ref-13)
13. <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/827926/RPC_short_guidance_note_-_Implementation_costs__August_2019.pdf> [↑](#footnote-ref-14)
14. Display of food hygiene ratings in England, Northern Ireland and Wales. Report prepared for: Food Standards Agency, Prepared by: BMG Research. Dec 2019: <https://www.food.gov.uk/sites/default/files/media/document/display-of-food-hygiene-ratings-in-england-northern-ireland-and-wales.pdf> [↑](#footnote-ref-15)
15. [Based on the median wage rate for Environmental Health Professionals (Code 2463), ASHE (2021), table 14.6a.](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/ashe1997to2015selectedestimates) [↑](#footnote-ref-16)
16. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashetable14> [↑](#footnote-ref-17)
17. [Based on the median wage rate for IT user support technicians (Code 3132), ASHE (2021), table 14.6a.](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/ashe1997to2015selectedestimates) [↑](#footnote-ref-18)
18. Display of food hygiene ratings in England, Northern Ireland and Wales. Report prepared for: Food Standards Agency, Prepared by: BMG Research. Dec 2019: <https://www.food.gov.uk/sites/default/files/media/document/display-of-food-hygiene-ratings-in-england-northern-ireland-and-wales.pdf> [↑](#footnote-ref-19)
19. ASHE (2021), table 14.6a [↑](#footnote-ref-20)
20. Display of food hygiene ratings in England, Northern Ireland and Wales. Report prepared for: Food Standards Agency, Prepared by: BMG Research. Dec 2019: <https://www.food.gov.uk/sites/default/files/media/document/display-of-food-hygiene-ratings-in-england-northern-ireland-and-wales.pdf> [↑](#footnote-ref-21)
21. An internal data analysis exercise using FHRS data was collaborated on by economics and policy colleagues to attempt to isolate social media ordering and aggregator use from the broader online presence data already available. The methodology and findings of this analysis, and how these were incorporated into the impact assessment itself, are outlined later in this section of the Evidence Base [↑](#footnote-ref-22)
22. [Food and You 2: Key Findings. FSA. January 2022](https://www.food.gov.uk/sites/default/files/media/document/Food%20and%20You%202%20-%20Wave%203%20Key%20Findings%20FINAL.pdf) [↑](#footnote-ref-23)
23. In this and all subsequent summary tables, the ‘Total One-Off’, ‘Total Recurring’ and ‘Total’ columns display nominal figures, while the ‘PV (2023 Base Year)’ column displays a discounted total, and the ‘Annual Equivalent’ column an annualised total providing an adjusted annual cost [↑](#footnote-ref-24)
24. Familiarisation costs are non-zero as outlined earlier in the Evidence Base [↑](#footnote-ref-25)
25. Additional monitoring costs are non-zero as outlined earlier in the Evidence Base [↑](#footnote-ref-26)
26. For this and all subsequent summary tables: totals or net outputs and the sum of individual entries may not always perfectly match. This is due to rounding; the underlying figures have been verified and reconcile as required [↑](#footnote-ref-27)
27. Additional enquiries costs are non-zero as outlined earlier in the Evidence Base [↑](#footnote-ref-28)
28. Re-rating costs are non-zero as outlined earlier in the Evidence Base [↑](#footnote-ref-29)
29. Northern Ireland Assembly. Committee for Health, Social Services and Public Safety. Official Report (HANSARD) Food Hygiene Rating Bill: Food Standards Agency NI. 26 November 2014 [↑](#footnote-ref-30)
30. https://www.food.gov.uk/sites/default/files/media/document/Chief-Scientific-Adviser-report-on-FHRS.pdf [↑](#footnote-ref-31)