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## Cost Data Slides for 2023/24

February 2023  
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# England & Wales - Cost data presentation 2023/24

- Purpose of the slides and annual process
- Meat controls hourly rate calculation
- Enforcement rate calculation
- Review and conclusion
- Annexes
  - Allowances
  - Indirect cost detail
  - Discounts and annual hourly bands for meat controls

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# PURPOSE AND PROCESS

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## The purpose of the slides

- The presentation of the cost data for meat industry hourly charge rates for 2023/24.
- The presentation covers England & Wales.
- To clarify and provide transparency on:
  - direct and indirect essential support costs of meat controls,
  - process to calculate hourly rates,
  - FSA application of current GB charging (including retained EU law).
- To confirm the hourly rates have been validated by independent external audit.
- All figures displayed in these slides are budgeted costs and hours.

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## The annual process

- November: The FSA budget for direct and indirect costs and hours for the following financial year are calculated.
- December: Meat related costs are identified and based on the budget the hourly rates are calculated.
- January: FSA Legal confirm the costs included in the hourly meat rates are consistent with 2017/625.
- February: The calculations for hourly rates are externally audited.
- 1 February 2023: Meeting with industry to review and seek agreement on discount options.
- 22 February 2023: Meeting with industry to share cost data.
- 27 March 2023: New charge rates and discount bands implemented for FSA customers.

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**MEAT CONTROLS HOURLY  
MAIN RATE CALCULATION**

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## How the meat controls hourly rates are calculated

- The direct cost per chargeable hour is calculated.
- The indirect cost of meat is calculated based on data from all FSA business areas and approved by senior management.
- Only the meat related indirect cost is included in the hourly rate calculation.
- The items included in the rates are reviewed by the Head of Legal Services.
- The calculations are audited by external auditors.

## Meat controls hourly main rates

Grade	2022/23 rate	2023/24 rate	Change	% difference
<b>OV Normal</b>	£50.70	<b>£53.90</b>	<b>+\$3.20</b>	<b>+6.3%</b>
Direct costs increase	-	-	+\$1.06	+2.1%
Reduction in chargeable hours	-	-	+\$2.16	+4.3%
Indirect costs decrease	-	-	-\$0.02	-0.04%
<b>MHI Normal</b>	£33.10	<b>£35.30</b>	<b>+\$2.20</b>	<b>+6.6%</b>
Direct costs increase	-	-	+\$2.36	+7.1%
Increase in chargeable hours	-	-	-\$0.14	-0.4%
Indirect costs decrease	-	-	-\$0.02	-0.06%

The rates have risen due to increased FSA employed and contractor staff costs – see slide 12. The increases are lower than the current rate of inflation.



## Meat controls hourly main rates cont'd

	Budgeted OV hours	Budgeted MHI hours	Total hours
2023/24 Industry chargeable hours (plussed up)* (53 weeks)	376,498	893,382	<b>1,269,880</b>
2022/23 Industry chargeable hours (plussed up)* (52 weeks)	399,303	888,048	<b>1,287,351</b>
Change in hours (additional hours in 2023/24)	22,805	(5,334)	<b>17,471</b>
Change in hours %	5.7%	(6.0%)	<b>1.4%</b>

- To note that 2023/24 is a 53 week charging period which has reduced the impact of the overall increase had it been like for like with 2022/23 at 52 weeks; there is an additional week of hours absorbing the FSA fixed costs for employed staff and overheads. 2024/25 will be 52 weeks.
- For 2023/24 there have been a number of movements in the hours. Some of these reflect changes in budgeted activity levels and others reflect changes made because hours have been moved into a separate charge rate for export work:
  - There are 25k fewer hours in the main industry charge rate because these are export related and have been moved to the separate rate calculation.
  - Budgeted activity is 17k hours lower than 2022/23 on a like for like basis.
  - The additional week in 2023/24 results in an additional 25k hours.
- OV chargeable hours have reduced by 23k - dividing costs over fewer hours. MHI chargeable hours have increased by 5k - dividing costs over more hours.

\*See slide 10 for explanation of “plussed up”

## Meat controls hourly rates 2023/24 – main rate

	Budgeted OV costs	Budgeted MHI costs	2023/24 Total budget	2022/23 Total budget	Variance on 2022/23
Direct Costs	£19.07m	£28.58m	<b>£47.64m</b>	£45.54m	+4.6%
Indirect Costs	£1.24m	£2.95m	<b>£4.19m</b>	£4.16m	+0.7%
Total Costs	£20.31m	£31.53m	<b>£51.83m</b>	£49.70m	+4.3%
Industry chargeable hours (plussed up)*	376,498	893,382	<b>1,269,880</b>	1,287,351	-1.4%
Charge rate before discount	<b>£53.90</b>	<b>£35.30</b>	-	-	-

\* Plussed up hours take account of overtime so that e.g., one hour of overtime at time and a half rate equates to 1.5 hours in the above hours figures. These hours include all industry chargeable time in relation to meat controls, excluding time spent on enforcement and export activity.

## Hours summary

	2023/24 hours '000s
Industry main rate	1,269.9
Enforcement	6.0
Export work on HLVI	24.3
Export audit work on HTCA	0.7
<b>Industry total</b>	<b>1,300.8</b>
Government*	121.0
<b>Grand total</b>	<b>1,421.8</b>

### Notes:

- Government includes hours funded directly by FSA, as well as those charged to other government departments
- 2023/24 is a 53 week charging period
- the table above contains minor rounding

# Industry meat costs – main rate

Budget in £m	2016/17 budget restated to align with 2017/18 structure	2017/18 budget	2018/19 budget	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
<u>Direct Costs</u>								
Employed staff costs	£19.60	£17.85	£16.32	£16.83	£16.96	£17.62	£17.40	<b>£18.04</b>
Contractor costs	£18.24	£18.95	£19.22	£21.66	£24.14	£24.74	£26.75	<b>£28.42</b>
Laundry/equipment costs	£0.61	£0.42	£0.62	£0.73	£0.62	£0.69	£0.63	<b>£0.63</b>
Frontline travel costs	£0.79	£0.85	£0.83	£0.97	£0.86	£0.83	£0.76	<b>£0.55</b>
<i>Total direct costs</i>	<b>£39.23</b>	<b>£38.08</b>	<b>£36.99</b>	<b>£40.19</b>	<b>£42.58</b>	<b>£43.88</b>	<b>£45.54</b>	<b>£47.64</b>
<u>Indirect Costs</u>								
Operations Support	£3.07	£2.89	£2.73	£2.69	£2.90	£2.18	£2.40	<b>£2.71</b>
Finance & Performance	£1.43	£0.97	£0.69	£0.49	£0.35	£0.30	£0.38	<b>£0.25</b>
Human Resources	£0.46	£0.36	£0.21	£0.10	£0.10	£0.08	£0.07	<b>£0.07</b>
Depreciation / Amortisation	£0.25	£0.21	£0.23	£0.28	£0.16	£0.18	£0.10	<b>£0.10</b>
Regulatory and Legal Strategy	£0.28	£0.24	£0.24	£0.22	£0.25	£0.16	£0.17	<b>£0.06</b>
Operations IT	£1.98	£1.49	£1.27	£1.01	£0.92	£0.93	£0.72	<b>£0.71</b>
Private Office & Secretariats	£0.09	£0.08	£0.08	£0.08	£0.08	£0.08	£0.09	<b>£0.06</b>
Corporate Support Unit	£0.21	£0.21	£0.21	£0.30	£0.29	£0.22	£0.23	<b>£0.23</b>
<i>Total indirect costs</i>	<b>£7.77</b>	<b>£6.45</b>	<b>£5.66</b>	<b>£5.16</b>	<b>£5.05</b>	<b>£4.13</b>	<b>£4.16</b>	<b>£4.19</b>
<b>Grand total meat costs</b>	<b>£47.00</b>	<b>£44.53</b>	<b>£42.65</b>	<b>£45.35</b>	<b>£47.63</b>	<b>£48.01</b>	<b>£49.70</b>	<b>£51.83</b>

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## Comparisons of 2023/24 to 2022/23 – Direct costs

Direct costs have increased by (£2.1m) (4.6%)

- Contractor costs included in the charge rates have increased by (£1.7m) as a result of additional costs due to continued labour market supply pressures following EU exit.
- Employed Staff costs have increased by (£0.6m) due to pay inflation. 2022/23 included a budgeted pay increase of 1%, however OV qualified staff received 2% and MHIs received 5%.
- Travel costs have decreased by £0.2m.

## Comparisons of 2023/24 to 2022/23 – Direct costs

### Direct cost analysis per grade:

#### OV

Direct OV costs have increased by **(£0.1m)** due to additional contractor costs of (£0.04m) and employed staff costs increase (£0.13m). Travel costs have decreased by £0.08m.

#### MHI

Direct MHI costs have increased by **(£2.0m)** due to additional contract MHI costs of (£1.6m) and employed staff costs of (£0.5m) as a result of pay inflation. Travel costs have decreased by £0.1m.

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## **FSA does not include these costs associated with meat safety and standards in meat industry charges**

- Food/Meat Policy and Science costs;
- FSA costs when supporting Local Authorities;
- IT costs not associated with the support of meat related work;
- Devolved office running costs;
- Pension deficit costs;
- Ongoing work as a result of EU exit;
- Projects to modernise delivery e.g. Operational Modernisation Programme;
- Some Service Delivery Partner costs;
- Sampling and testing costs;
- Legal costs;
- National Food Crime Unit;
- Welfare Assurance Team (WAT) costs.

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## Charging for enforcement

### Separating charging for enforcement from other controls

- Industry representatives asked the FSA to review its handling of charging for enforcement activity – *“Why do charges to the compliant include the costs of dealing with the non-compliant?”*
- From 2021/22 separate activity codes were introduced for chargeable (IENF) and non-chargeable enforcement (NENF).
- From 2021/22 chargeable enforcement time shown separately on invoice backing schedules. Discounts continued to be applied.
- The hourly rates charged for enforcement in 2021/22 were the same as those for all other meat controls.
- From 2022/23 separate enforcement charge rates were introduced with continued discounts.



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## Industry enforcement hourly rates 2023/24

### What has happened . . .

- During 2022/23 there was full public consultation to gain feedback on a proposal to remove the discounts on enforcement charges.
- The consultation closed on 4 January 2023 with 14 responses for England and Wales.
- The details of the responses to the consultation will be available at [food.gov.uk](https://www.food.gov.uk)

### . . . and what is happening for 2023/24

- The FSA has considered the results of the consultation and has concluded that the taxpayer funded discounts on charges for enforcement should cease.
- This means that from the start of 2023/24 the charges the FSA makes for enforcement will not have any discount applied.

## Enforcement costs and hours

- Enforcement activity for regulatory non-compliance represents only 0.4% of total chargeable activity (6k hours out of 1.3m). Estimated 2023/24 charges are approximately £80k relative to total charges of £36.9m.

Total costs comparison	2023/24 Enforcement £k
<b>Direct costs</b>	<b>£330</b>
Of Which: <b>Employed Staff Costs</b>	£278
<b>Contractor Costs</b>	£47
<b>Laundry / Equipment</b>	£3
<b>Front line Travel</b>	£2
<b>Indirect costs</b>	<b>£19</b>
<b>Total costs</b>	<b>£349</b>
<b>Total hours</b>	6,015

- The enforcement charge rates include the direct costs of the staff carrying out enforcement activity, e.g. Veterinary Enforcement Delivery Managers.
- A proportionate amount of overall chargeable meat related indirect costs are included in the enforcement charge rates.
- See slide 37 for further breakdown of the above costs.

## Industry enforcement rates 2023/24

Grade	2022/23 Enforcement rate	2023/24 Enforcement rate	Change	% difference	2023/24 Meat controls rate for info
OV Normal	£53.30	<b>£59.10</b>	<b>(£5.80)</b>	<b>(10.9%)</b>	£53.90
MHI Normal	£36.20	<b>£35.70</b>	£0.50	1.4%	£35.30

- The OV costs of £340k divided by 5,752 hours results in an enforcement rate of £59.10 per chargeable hour, an increase of **(£5.80)**. This is due to an increase in contractor costs of (£27k) driven by an increase in hours, offset by a saving in employed staff of £22k. To note whilst OV hours have reduced overall an additional employed Veterinary Enforcement Delivery Manager increases the cost.
- The 2023/24 MHI costs of £9.42k divided by 264 hours results in an enforcement rate of £35.70 per chargeable hour, a reduction of **£0.50**. This is because the proportion of the mix of staff has switched to 67% employed v 33% contractor in 2023/24. Compared to 96% employed and 4% contractor in 22/23. This results in a saving on the rate due to contract MHIs being lower cost than employed. This MHI rate is more than the main industry rate (which is 52% employed and 48% contractors) as a greater proportion of employed staff do the enforcement work compared to the main rate.
- Following the introduction of the enforcement rates last year, the methodology has been reviewed. There was an undercharge in the 2022/23 OV hourly rate for enforcement. The costs used were correct but because the chargeable hours in the 2022/23 calculation were overstated industry benefited from a lower rate than should have applied.

# Export activity charges and consultation on changes

- During the 2022 judicial review of transparency in FSA charges calculations the inclusion of the hours and costs of export activity in the main charge rate was challenged by Counsel acting for six FBOs.
- The FSA acknowledged the charges should be separated in future.
- Industry has gained for many years from a rate for export activity which includes less cost than it should under HM Treasury (HMT) guidance.
- During 2023/24 the FSA will publicly consult on separate export charge rate for certification and attestation that will not be restricted to the categories of cost specified in Article 81 of REUL 2017/625 and will also factor in HMT guidance.
- For 2023/24 the FSA has calculated a separate export charge rate (to separate the costs and hours) but the lower rate for meat controls will be charged until further notice.
- The above bullets cover the rate for export certification / attestation work.
- There will be a separate rate calculated for export approvals of premises and export related audit but the FSA does not intend to charge a higher rate for this activity in

2023/24.

## Export certification costs excluded from the main industry rate calculation 2023/24

Total costs comparison	2023/24 Export HLVI	2023/24 Export HTCA	2023/24 Total
<b>Direct costs</b>	<b>£1,060k</b>	<b>£33k</b>	<b>£1,093k</b>
Of which: <b>Employed staff costs</b>	£0k	£33k	£33k
<b>Contractor costs</b>	£1,037k	£0k	£1,037k
<b>Laundry / equipment</b>	£12k	£0.03k	£12k
<b>Front line travel</b>	£9k	£0.02k	£9k
<b>Indirect costs</b>	<b>£80k</b>	<b>£2k</b>	<b>£82k</b>
<b>Total costs</b>	<b>£1,138k</b>	<b>£36k</b>	<b>£1,174k</b>
<b>Total hours</b>	24,270	660	24,931

To note: for 2023/24 the FSA has identified the hours and costs associated with export activity (HLVI and HTCA coded time) and stripped these out of the main charge rate calculation and these are identified above. Until further notice the main industry charge rate will continue to be charged for export activity.

Note: the table above contains minor rounding



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# REVIEW AND CONCLUSION

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## Review of calculation

The costs that the meat industry are charged under Article 81 2017/625 are:

“The fees or charges to be collected in accordance with point (a) of Article 79(1) and with Article 79(2) shall be determined on the basis of the following costs, insofar as these result from the official controls concerned:

- (a) the salaries of the staff, including support and administrative staff, involved in the performance of official controls, their social security, pension and insurance costs;
- (b) the cost of facilities and equipment, including maintenance and insurance costs and other associated costs;
- (c) the cost of consumables and tools;
- (d) the cost of services charged to the competent authorities by delegated bodies for official controls delegated to these delegated bodies;
- (e) the cost of training of the staff referred to in point (a), with the exclusion of the training necessary to obtain the qualification necessary to be employed by the competent authorities;
- (f) the cost of travel of the staff referred to in point (a), and associated subsistence costs;
- (g) the cost of sampling and of laboratory analysis, testing and diagnosis charged by official laboratories for those tasks.”

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## Review of calculation

*“On the basis of our review of the 2023/24 ABC, HCR, ER and Export Rates models, we are satisfied that the charge rates for OVs and MHIs have been calculated correctly in each model, based on our assessment of the mechanics and validation of the source data to the reports provided. Policy reasons behind any changes made to the calculation methodology by FSA are outside of the scope of Mazars’ review.”*

Mazars (Audit Report 20 February 2023)

ABC – Activity Based Costing

HCR – Hourly Charge Rates

ER – Enforcement Rates



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## Conclusion

- FSA faces significant cost pressures in a challenging labour market post EU exit. This is particularly evident in the availability of veterinary services.
- There is an additional week of hours in 2023/24 absorbing the FSA fixed costs for employed staff and overheads and reducing the charge rate. 2024/25 will be 52 weeks, as was 2022/23, meaning a higher rate as these costs are divided over fewer hours.
- Despite this year's increase the total cost of meat controls remains 11% below 2015/16 levels in real terms.
- Industry continues to benefit from a substantial discount against most charges.



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# CHARGEABLE ALLOWANCES

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## Standard allowances

Allowance code	Allowance narrative	2023/24 charge before discount	2023/24 discount	2022/23 charge before discount
CASL	Casualty slaughter call-out	<b>£31.10</b>	50%	£28.95
COVA	Weekend working as part of a normal week	<b>£116.10</b>	50%	£108.50
HTIM	Weekend working as part of a normal week	<b>£116.10</b>	50%	£108.50
NGHT	Night shift	<b>£50.50</b>	50%	£44.65
SHFT/UNSO	Shift working	<b>£32.25</b>	50%	£29.95
UNSH/UNSP	Unsocial hours	<b>£16.80</b>	50%	£16.20

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## Explanation of movement in allowance rates

- The allowances are calculated based on the 'MHI direct' cost per hour, and have therefore risen reflecting increased pay costs, and the trend in actual occurrences.
- Allowances represent less than 1% of the cost of industry controls.
- Since the introduction of Stow charging in 2016/17 the calculation of allowance rates has been further reviewed and improved.
- From 2016/17 nationally calculated allowance rates replaced charges based on the payments to the specific individuals in particular plants to match the way the hourly rates are calculated.
- Whilst the individual rates have increased the total charge to industry is expected to remain constant (£0.4m full cost before applying the 50% discount).

## Emergency call-out allowance charges

Allowance code	Allowance Narrative	2023/24 charge before discount	2023/24 discount	2022/23 charge before discount
EMGH	Emergency call-out not in SOR	<b>£250.00</b>	50%	£290.00
EMGL	Emergency call-out in SOR	<b>£140.00</b>	50%	£160.00

- The overall cost for this service charged to the FSA by the Service Delivery Partner will remain static for 2023/24 but the unit price will decrease.
- The forecast number of call outs for 2023/24 has risen by approximately 9.5% compared with 2022/23.

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## Emergency call out charges

- Regulation (EU) 2019/627 requires post mortem inspection (PMI) to be carried out without delay after slaughter. In cases of emergency slaughter the maximum delay permitted for PMI is 24 hours from arrival of the carcass at the slaughterhouse.
- Making the necessary provisions results in additional costs for the FSA which the call out charges will recover from FBOs at the rate of 50% of the actual cost.
- Time charges will be invoiced in addition to the call out charges.
- FBOs wishing to ensure this call out provision must discuss it with their FSA operational management and document it in their Statement of Resources.
- In addition, all operational requirements must be in place for emergency slaughter, including the necessary standard operating procedure.

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## **2023/24 INDIRECT COST DETAIL**

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## Indirect cost outputs

### Operations Support covers

- Regulatory Delivery – meat premises approvals, business and tactical support for frontline operations (instructions, guidance, reporting), SLA and contract management
- Field Support – providing essential support to frontline meat staff
- Health & Safety of staff in meat establishments

### Finance & Performance covers

- Finance – billing and collection for meat FBOs, payroll processing for meat staff and accounting for meat related services
- Procurement – purchases of meat related goods and services
- Office accommodation of all meat related support staff

### People & Organisational Change (HR) covers

- Human Resources support



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## Indirect cost outputs

Regulatory (Audit) support covers

- Internal Audit – audit of FSA processes and support systems

Corporate Support Unit covers

- Ordering supplies for operational staff
- Processing Certificates of Competence
- Organising meetings and events with meat industry stakeholders, etc.
- Operations IT
- IT – technological support/infrastructure for field staff and meat support staff

Private Office & Secretariat support covers

- Chief Executive's Office – dealing with complaints, PQs and Freedom of Information requests on meat premises

## Indirect costs apportionment between Industry main rate & Government

<u>Budgeted indirect costs</u>	<u>Industry Charges</u>	<u>Government</u>	<u>FSA</u>	<u>Total</u>
£m				
Operations support	£2.71	£0.09	£0.19	£2.99
<i>Sub total</i>	<i>£2.71</i>	<i>£0.09</i>	<i>£0.19</i>	<i>£2.99</i>
Finance & Performance	£0.25	£0.01	£0.02	£0.28
Human Resources	£0.07	£0.00	£0.01	£0.09
Depreciation / amortisation	£0.10	£0.00	£0.01	£0.11
Regulatory (Audit)	£0.06	£0.00	£0.00	£0.07
Operations IT	£0.71	£0.02	£0.05	£0.78
Private Offices & Secretariats	£0.06	£0.00	£0.01	£0.08
Corporate Support Unit	£0.23	£0.01	£0.02	£0.25
<b>Total indirect costs</b>	<b>£4.19</b>	<b>£0.14</b>	<b>£0.31</b>	<b>£4.64</b>

Note: the table above contains minor rounding

## 2023/24 Staff related indirect costs – Meat

Group	FTE	Meat %	Meat FTE	Indirect cost £m	Industry cost 2023/24 £m	Industry cost 2022/23 £m	Variance £m	Variance %
Regulatory Delivery (Operations Assurance)	36.2	82%	29.6	£1.71	£1.55	£1.36	(£0.20)	(15%)
Field Delivery (Support)	34.6	47%	16.4	£1.12	£1.02	£0.82	(£0.20)	(24%)
Finance	22.5	23%	5.2	£0.20	£0.18	£0.16	(£0.02)	(11%)
Procurement	12.4	10%	1.2	£0.07	£0.06	£0.08	£0.02	25%
IT Service delivery	74.5	6%	4.8	£0.31	£0.28	£0.29	£0.00	1%
HR Org Development	46.0	2%	1.0	£0.06	£0.05	£0.05	£0.00	3%
Legal	27.9	0%	0.0	£0.00	£0.00	£0.00	£0.00	0%
Internal Audit	6.0	17%	1.0	£0.07	£0.06	£0.17	£0.11	65%
Communications	35.9	0%	0.0	£0.00	£0.00	£0.00	£0.00	0%
CEO's Office	16.2	5%	0.8	£0.07	£0.06	£0.09	£0.03	33%
Chair & Deputy's Office	12.0	0%	0.0	£0.00	£0.00	£0.00	£0.00	0%
Corporate Support Unit	40.7	16%	6.5	£0.27	£0.24	£0.23	(£0.02)	(7%)
<b>Subtotal</b>	<b>364.8</b>		<b>66.5</b>		<b>£3.51</b>	<b>£3.25</b>	<b>(£0.27)</b>	<b>(8%)</b>

Note: the table above contains minor rounding

## 2023/24 Other Indirect Costs over £100k – Meat

Associated Cost	Full cost £m	Meat %	Indirect cost £m	Industry cost 2023/24 £m	Industry cost 2022/23 £m	Variance £m	Variance %
Field Management and Regulatory Delivery travel	£0.43	15%	£0.07	£0.06	£0.04	(£0.02)	(50%)
Sampling and testing costs	£0.79	0%	£0.00	£0.00	£0.00	£0.00	0%
Financial and HR IT systems costs	£0.23	13%	£0.03	£0.03	£0.03	£0.00	0%
Legal debt recovery costs	£0.14	0%	£0.00	£0.00	£0.00	£0.00	0%
IT support costs	£1.06	31%	£0.33	£0.30	£0.23	(£0.07)	(29%)
Software licenses and network	£1.24	8%	£0.10	£0.09	£0.16	£0.07	44%
Phone costs	£0.76	6%	£0.05	£0.04	£0.15	£0.11	73%
Office accommodation	£2.95	1%	£0.03	£0.02	£0.13	£0.11	85%
Training	£0.67	6%	£0.04	£0.04	£0.07	£0.03	43%
IT support costs for Board meetings	£0.10	0%	£0.00	£0.00	£0.00	£0.00	0%
Depreciation/Amortisation	£2.88	4%	£0.12	£0.10	£0.10	£0.00	0%
<b>Sub Total</b>	<b>£11.26</b>		£0.75	£0.68	£0.91	£0.23	26%
<i>Grand Total</i>				<b>£4.19</b>	<b>£4.16</b>		

Note: the table above contains minor rounding

# Mapping to Article 81 cost categories as required under Article 85 - main industry rate

Article 85 presentation of 2023/24 Industry cost		
Category	Description	£millions
<b>A</b>	The salaries of the staff, including support and administrative staff, involved in the performance of official controls, their social security, pension and insurance costs.	£46.62
<b>B</b>	The cost of facilities and equipment, including maintenance and insurance costs and other associated costs.	£1.46
<b>C</b>	The cost of consumables and tools.	£0.80
<b>D</b>	The cost of services charged to the competent authorities by delegated bodies for official controls delegated to these delegated bodies.	£0.00
<b>E</b>	The cost of training of the staff referred to in point (A), with the exclusion of the training necessary to obtain the qualification necessary to be employed by the competent authorities.	£0.39
<b>F</b>	The cost of travel of the staff referred to in point (A), and associated subsistence costs.	£2.56
<b>G</b>	The cost of sampling and of laboratory analysis, testing and diagnosis charged by official laboratories for those tasks.	£0.00
<b>TOTAL</b>		<b>£51.83</b>

# Mapping to Article 81 cost categories - Enforcement Rate

Article 85 presentation of 2023/24 cost		
Category	Description	£thousands
<b>A</b>	The salaries of the staff, including support and administrative staff, involved in the performance of official controls, their social security, pension and insurance costs.	£335
<b>B</b>	The cost of facilities and equipment, including maintenance and insurance costs and other associated costs.	£5
<b>C</b>	The cost of consumables and tools.	£3
<b>D</b>	The cost of services charged to the competent authorities by delegated bodies for official controls delegated to these delegated bodies.	£0
<b>E</b>	The cost of training of the staff referred to in point (A), with the exclusion of the training necessary to obtain the qualification necessary to be employed by the competent authorities.	£1
<b>F</b>	The cost of travel of the staff referred to in point (A), and associated subsistence costs.	£6
<b>G</b>	The cost of sampling and of laboratory analysis, testing and diagnosis charged by official laboratories for those tasks.	£0
<b>TOTAL</b>		<b>£349</b>

Note: the table above contains minor rounding

# R (FA Gill and Others) v FSA

The text of the following four slides has been added as required under the judgment dated 7 July 2022 in the above case (CO/3532/2021) to provide further explanation of the calculation of the FSA's charge rates

## Note

Costs may only be charged insofar as they result from the official controls concerned. Therefore any element of the costs resulting from other activity are stripped out.\*

The FSA's meat industry functions are wider than the provision of official controls. Thus, the costs have been calculated in accordance with conventional accounting standards by attributing to each item of the FSA's overheads a reasonable proportion of the full budgeted cost that fairly reflects the provision of official controls.

This proportion, known as "the industry percentage" for direct costs is currently set at 87.1% for OVs and 93.2% for MHIs, with a weighted average of 91.3% based on the balance of hours between OVs and MHIs used for the indirect costs for the FSA's provision of official controls. For the contractor there is a different weighted average of 89.71% due to a different balance in hours between OVs and MHIs. The industry percentage is based on budgeted hours for industry controls against budgeted hours for government controls. Due to rounding issues, there can be small differences between figures used for illustrative purposes.

*\*Additional explanatory note to supplement the above wording under the judgment order. The process of calculating the enforcement charge rate has been through a transitional process. Enforcement and export activity fall within other official activities and not official controls. The charge rate for enforcement was totally separated from the one for official controls for the 2022/23 charge rates. The same has happened with an export charge rate from 2023/24, although this rate will not be charged at present and the main charge rate will be charged for this export activity.*

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## Hours

- OV industry budgeted hours for 2023/24 were 376,498 out of total budgeted OV hours of 432,076 (the additional budgeted hours relating to Government\*), giving an industry OV percentage of 87.1%. These are the total budgeted hours for all OVs i.e. FSA and contractor OVs.
- MHI industry budgeted hours for 2023/24 were 893,382 out of total budgeted MHI hours of 958,873 (the additional budgeted hours relating to Government), giving an industry MHI percentage of 93.2%. These are the total budgeted hours for all MHIs i.e. FSA and contractor MHIs.
- The industry budgeted hours were 1,269,880 out of total budgeted hours of 1,390,949 (the additional budgeted hours being for controls provided to Government), giving a weighted industry percentage of 91.3%.

*\*Additional explanatory note to supplement the above wording under the judgment order. For 2023/24 the additional budgeted hours above and the costs on the following slide do not include those budgeted for enforcement and export activity which are stripped out of the main industry charge rate.*



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## Main industry rate direct costs

- Employed staff costs of £18.0m have been calculated as representing the appropriate weighted industry percentage of the budgeted wage bill of FSA meat industry staff of £19.7m. That weighted industry percentage is achieved by applying the relevant industry OV and MHI percentages to the employed OV cost of £3.3m and employed MHI cost of £16.3m making up the £19.6m.
- Contractor costs of providing official controls have been calculated by taking the value of the contract with the contractor and then subtracting items, such as profit and non-chargeable overheads, which cannot be recovered within the cost of official controls. The resulting contractor costs of £28.4m have then been calculated as representing the appropriate weighted industry percentage of the budgeted contractor costs of £31.7m. That weighted industry percentage is achieved by applying the relevant industry OV and MHI percentages to the OV contractor cost of £18.2m and MHI contractor cost of £13.5m making up the £31.7m.
- Laundry/equipment costs of £0.63m and frontline travel costs of £0.56m have been calculated as representing the appropriate weighted industry percentage of the Laundry/equipment costs and frontline travel costs of FSA meat industry staff of £0.69m and £0.61m, respectively.
- It is the sum of the industry elements of the three bullet points above (employed staff costs, contractor costs, plus laundry and equipment costs) that adds up to the total direct costs included in the industry charge rates.

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## Main industry rate indirect costs

- The FSA's overheads that are referable to the provision of official controls have been calculated by first apportioning a reasonable proportion of the FSA's overheads to the meat industry functions performed by the FSA and then applying the FSA industry percentage to give £4.2m, as explained in slide 35. This is split between OV indirect costs of £1.3m and MHI indirect costs of £2.9m by reference to the proportion of industry hours budgeted for each.

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**DISCOUNT AND ANNUAL  
HOURS BANDS FOR MEAT  
CONTROLS**  
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# Meat controls annual hours bands and discounts for slaughterhouses and game handling establishments from 27 March 2023

	Red meat slaughterhouses and game handling establishments annual hours bands	Poultry slaughterhouses annual hours bands	Discount
Band 1	Up to 291	Up to 726	90%
Band 2	291 – 1,020	726 – 2,244	75%
Band 3	1,020 - 3,420	2,244 - 3,891	17%
Band 4	3,420 – 7,863	3,891 – 5,958	16%
Band 5	7,863 - 14,490	5,958 - 22,221	15%
Band 6	More than 14,490	More than 22,221	13%

One twelfth of each hourly band is available each charging period, unused band hours are carried forward until used or end of year

# Budgeted industry income

Discounted charges					Undiscounted charges			Totals for meat industry				
Income (£m)	Discount (£m)	Full Cost (£m)	Average % charge	Average % discount	Enforcement income (£m)	Cutting plant income (£m)	H code income (£m)	Meat industry chargeable hours (m)	Total meat industry income (£m)	Total meat industry discount (£m)	Total meat industry full cost (£m)	Average income p/h
£35.2	£16.5	£51.7	68.1	31.9	£0.0	£0.3	£1.3	1.3	£36.9	£16.5	£53.4	£29.14

- On 1 February 2023 the FSA met industry stakeholders and presented a range of discount options for review. Some of the options would have slightly rebalanced discounts so that proportionately more discount funding was provided to smaller slaughterhouses and game handling establishments.
- Industry stakeholders did not select one of the options presented.
- The FSA will be implementing a discount option for 2023/24 that most closely matches the one implemented for 2022/23. The details for 2023/24 are provided in the previous slide.
- The FSA will review discount options again for 2024/25 with an intention for some rebalancing towards smaller premises.