



Cost Data Slides for 2024/25

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England & Wales - Cost data presentation 2024/25

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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 2024/25.
- 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.

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 REUL 2017/625.
- February: The calculations for hourly rates are externally audited.
- 5 February 2024: Meeting with industry to review and seek agreement on discount options.
- 22 February 2024: Meeting with industry to share cost data.
- 1 April 2024: 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 Main rate - hourly rates 2024/25

Grade	2023/24 rate	2024/25 rate	Change	% difference
OV Normal	£53.90	£56.00	+\$2.10	+3.9%
Direct costs decrease	-	-	-\$3.10	-5.8%
Reduction in chargeable hours	-	-	+\$4.64	+8.6%
Indirect costs increase	-	-	+\$0.56	+1.0%
MHI Normal	£35.30	£38.80	+\$3.50	+9.9%
Direct costs increase	-	-	+\$0.72	+2.0%
Reduction in chargeable hours	-	-	+\$2.22	+6.3%
Indirect costs increase	-	-	+\$0.56	+1.6%

The rates have risen due to increased FSA employed and contractor staff costs – see slides 13 and 14.

Meat controls Main rate - hourly rates 2024/25 cont'd

	Budgeted OV hours	Budgeted MHI hours	Total hours
2024/25 Industry chargeable hours (plussed up)* (52 weeks)	338,585	830,413	1,168,998
2023/24 Industry chargeable hours (plussed up)* (53 weeks)	376,498	893,382	1,269,880
Change in hours (reduced hours in 2024/25)	37,913	62,969	100,882
Change in hours %	10.1%	7.0%	7.9%

- For 2024/25 there have been a number of drivers for the movements in the hours:
 - Plant closures and operating hours changes.
 - Reduction in the number of weeks in the period. 2023/24 was a 53 week charging period which reduced the impact of increases in 2023/24, as fixed costs were allocated over a greater number of hours. 2024/25 reverts to a 52 week period. If 2023/24 had been a 52 week year on a comparable basis the hours would have reduced by 23,960, split OV (7,104) and MHI (16,856).

*See slide 10 for explanation of “plussed up”

Meat controls Main rate - hourly rates 2024/25

	Budgeted OV costs	Budgeted MHI costs	2024/25 Total budget	2023/24 Total budget	Variance on 2023/24
Direct Costs	£17.67m	£29.06m	£46.73m	£47.64m	-1.9%
Indirect Costs	£1.28m	£3.14m	£4.42m	£4.19m	+5.5%
Total Costs	£18.95m	£32.20m	£51.15m	£51.83m	-1.3%
Industry chargeable hours (plussed up)*	338,585	830,413	1,168,998	1,269,880	-7.9%
Charge rate before discount	£56.00	£38.80	-	-	-

* 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 for rate calculations – All activities

	2023/24 Hours	2024/25 Hours
Industry main rate	1,269,880	1,168,998
Enforcement	6,015	5,892
Export work on HLVI	24,270	25,427
Export audit work on HTCA	872	744
Industry total	1,301,038	1,201,060
Government*	121,069	121,330
Grand total	1,422,107	1,322,390

Notes:

- Government includes hours funded directly by FSA, as well as those charged to other government departments
- 2024/25 is a 52 week charging period compared to 53 weeks in 2023/24
- 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	2024/25 budget
Direct Costs									
Employed staff costs	£19.60	£17.85	£16.32	£16.83	£16.96	£17.62	£17.40	£18.04	£15.58
Contractor costs	£18.24	£18.95	£19.22	£21.66	£24.14	£24.74	£26.75	£28.42	£29.98
Laundry/equipment costs	£0.61	£0.42	£0.62	£0.73	£0.62	£0.69	£0.63	£0.63	£0.62
Frontline travel costs	£0.79	£0.85	£0.83	£0.97	£0.86	£0.83	£0.76	£0.55	£0.55
Total direct costs	£39.23	£38.08	£36.99	£40.19	£42.58	£43.88	£45.54	£47.64	£46.73
Indirect Costs									
Operations Support	£3.07	£2.89	£2.73	£2.69	£2.90	£2.18	£2.40	£2.71	£2.94
Finance & Performance	£1.43	£0.97	£0.69	£0.49	£0.35	£0.30	£0.38	£0.25	£0.25
Human Resources	£0.46	£0.36	£0.21	£0.10	£0.10	£0.08	£0.07	£0.07	£0.07
Depreciation / Amortisation	£0.25	£0.21	£0.23	£0.28	£0.16	£0.18	£0.10	£0.10	£0.17
Regulatory and Legal Strategy	£0.28	£0.24	£0.24	£0.22	£0.25	£0.16	£0.17	£0.06	£0.05
Operations IT	£1.98	£1.49	£1.27	£1.01	£0.92	£0.93	£0.72	£0.71	£0.72
Private Office & Secretariats	£0.09	£0.08	£0.08	£0.08	£0.08	£0.08	£0.09	£0.06	£0.05
Corporate Support Unit	£0.21	£0.21	£0.21	£0.30	£0.29	£0.22	£0.23	£0.23	£0.17
Total indirect costs	£7.77	£6.45	£5.66	£5.16	£5.05	£4.13	£4.16	£4.19	£4.42
Grand total meat costs	£47.00	£44.53	£42.65	£45.35	£47.63	£48.01	£49.70	£51.83	£51.15

Comparisons of 2024/25 to 2023/24 – Direct costs

Direct costs have decreased by £0.9m (1.9%), whilst hours have reduced by 7.9%.

- Contractor costs included in the charge rates have increased by (£1.5m), as a result of additional costs due to labour market pressures.
- Employed Staff costs have decreased by £2.4m due to a reduction in employed FTEs (Full Time Equivalents) and overtime.

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Comparisons of 2024/25 to 2023/24 – Direct costs

Direct cost analysis per grade:

OV

Direct OV costs have decreased by **£1.4m** due to a reduction in contractor costs of £0.7m and employed staff costs decrease of £0.7m due to reduced FTEs.

MHI

Direct MHI costs have increased by **(£0.5m)** due to additional contract MHI costs of (£2.2m) and employed staff costs reduction of £1.7m due to a reduction in FTEs and overtime.

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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;
- Retained EU Law (REUL) changes;
- Borders Target Operating Model;
- 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.

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) with chargeable enforcement time identified on invoice backing schedules. The hourly rates charged were the same as those for other meat controls and discounts continued to be applied.
- From 2022/23 separate enforcement charge rates were introduced with continued discounts at eligible premises.
- The conclusion of a full public consultation during 2022/23 was that the discounts on charges for enforcement would cease and this was implemented from the start of 2023/24.

Enforcement costs and hours

- Enforcement activity for regulatory non-compliance represents only 0.5% of the volume of total chargeable activity (6k hours out of 1.2m).

Total costs comparison	2023/24 Enforcement £k	2024/25 Enforcement £k
Direct costs	330	337
Of Which: Employed Staff Costs	278	293
Contractor Costs	47	38
Laundry / Equipment	3	3
Front line Travel	2	3
Indirect costs	19	22
Total costs	349	359
Total hours	6,015	5,892

- 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 2024/25

Grade	2023/24 Enforcement rate	2024/25 Enforcement rate	Change	% difference
OV Normal	£59.10	£61.70	+£2.60	+4.4%
MHI Normal	£35.70	£39.00	+£3.30	+9.2%

- The OV costs of £352k divided by 5,701 hours results in an enforcement rate of £61.70 per chargeable hour, an increase of **(£2.60)**. This includes an increase on prior years costs of (£12k) and a reduction in hours of 51. This increased cost is due to an increase in staff costs of (£15k), Indirect costs (£3k) partially offset by a saving in contractors of £6k.
- The 2024/25 MHI costs of £7k divided by 191 hours results in an enforcement rate of £39.00 per chargeable hour, an increase of **(£3.30)**. This includes a reduction on prior years costs of £2k and a reduction in hours of 73. The rate has increased due to the reduction in hours of 28% being greater than the 21% reduction in cost. Also, the proportion of the mix of staff has switched to 98% employed v 2% contractor in 2024/25 compared to 65% employed and 35% contractor in 23/24 with employed staff being more expensive.

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. 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. This activity is other official controls and is not be restricted to the categories of cost specified in Article 81 of REUL 2017/625 for official controls.
- The FSA intended to carry out a full public consultation during 2023/24 on a separate charge rate for export related activity, e.g. Support Health Attestations, but this has not been possible. A consultation will take place during 2024/25.
- For information at this stage the FSA has calculated a separate export charge rate (to separate the costs and hours) for 2024/25 but the lower rate for meat controls will be charged until further notice.
- The above bullets cover the rate for export related 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 2024/25, as only the FSA can carry out this activity.

Industry Export related rates calculation 2024/25 (For information purposes only)

Total costs comparison	2024/25 Export HLVI	2024/25 Export HTCA	2024/25 Total
Hourly rate (HLVI subject to consultation)	£65.70	£56.00	
Direct costs	£1,163k	£39k	£1,202k
Of which: Employed staff costs	£0k	£39k	£39k
Contractor costs	£1,139k	£0k	£1,139k
Laundry / equipment	£14k	£0k	£14k
Front line travel	£10k	£0k	£10k
Indirect costs	£508k	£3k	£511k
Total costs	£1,671k	£42k	£1,713k
Total hours	25,427	744	26,171

To note: for 2024/25 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. Until further notice the main industry charge rate will continue to be charged for export activity.



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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 of REUL 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.”

Review of calculation

“On the basis of our review of the 2024/25 ABC, HCR, GR, 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.”

Mazars (Audit Report – February 2024)

ABC – Activity Based Costing

HCR – Hourly Charge Rates

GR – Government Rates

ER – Enforcement Rates

Conclusion

- FSA continues to face significant cost pressures in a challenging labour market, and there has been a time lag in passing these costs on within the full cost rates.
- There was 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 is 52 weeks, meaning a higher rate as these costs are divided over fewer hours.
- Despite this year's increase the total cost of meat controls remains 18% 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	2024/25 charge before discount	2024/25 discount	2023/24 charge before discount
CASL	Casualty slaughter call-out	£34.05	50%	£31.10
COVA	Weekend working as part of a normal week	£127.65	50%	£116.10
HTIM	Weekend working as part of a normal week	£127.65	50%	£116.10
NGHT	Night shift	£53.55	50%	£50.50
SHFT/UNSO	Shift working	£35.25	50%	£32.25
UNSH/UNSP	Unsocial hours	£18.35	50%	£16.80
NWUH	Night Working Unsocial Hours	£18.35	50%	n/a

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 any change 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	2024/25 charge before discount	2024/25 discount	2023/24 charge before discount
EMGH	Emergency call-out not in SOR	£310.00	50%	£250.00
EMGL	Emergency call-out in SOR	£120.00	50%	£140.00

- The forecasted number of unplanned call outs (EMGH) for 2024/25 has increased by approximately 20% from the 2023/24 budget calculations.
- Unplanned call outs have greater associated cost.
- The charge for higher rate callouts (EMGH) has been increased for 2024/25 due to the rise in the number of unplanned instances occurring.

Emergency call out charges

- REUL 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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2024/25 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

Human Resources (HR) covers

- HR support

Indirect cost outputs cont'd

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

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, Parliamentary Questions and Freedom of Information requests on meat premises

Indirect costs apportionment between Industry main rate & Government Rate

<u>Budgeted indirect costs</u>	<u>Industry Charges</u>	<u>Government</u>	<u>FSA</u>	<u>Total</u>
Operations Support				
Finance & Performance	£0.25	£0.01	£0.02	
Human Resources	£0.07	£0.00	£0.01	
Depreciation / Amortisation	£0.17	£0.01	£0.01	
Regulatory (Audit)	£0.05	£0.00	£0.00	
Operations IT	£0.72	£0.02	£0.05	
Private Offices & Secretariats	£0.05	£0.00	£0.01	
Corporate Support Unit	£0.17	£0.01	£0.01	£0.19

Note: the table above contains minor rounding

2024/25 Staff related indirect costs – Meat

Group	FTE	Meat %	Meat FTE	Indirect cost £m	Industry cost 2024/25 £m	Industry cost 2023/24 £m	Variance £m	Variance %
Regulatory Delivery (Operations Assurance)	41.8	71%	29.6	£2.02	£1.82	£1.55	(£0.26)	(17%)
Field Delivery (Support)	40.2	45%	18.0	£1.07	£0.96	£1.02	£0.06	6%
Finance	23.8	18%	4.2	£0.17	£0.15	£0.18	£0.03	15%
Procurement	10.2	10%	1.0	£0.06	£0.06	£0.06	£0.00	6%
IT Service Delivery	74.5	6%	4.8	£0.31	£0.28	£0.28	£0.00	1%
HR	43.1	2%	1.0	£0.06	£0.06	£0.05	(£0.01)	(11%)
Legal	23.6	0%	0.0	£0.00	£0.00	£0.00	£0.00	0%
Internal Audit	4.6	22%	1.0	£0.06	£0.05	£0.06	£0.01	13%
Communications	32.1	0%	0.0	£0.00	£0.00	£0.00	£0.00	0%
CEO's Office	12.8	5%	0.7	£0.05	£0.05	£0.06	£0.01	16%
Chair & Deputy's Office	10.5	0%	0.0	£0.00	£0.00	£0.00	£0.00	0%
Corporate Support Unit	16.7	27%	4.5	£0.20	£0.18	£0.24	£0.06	25%
Subtotal	333.7		64.7		£3.61	£3.51	(£0.10)	(3%)

Note: the table above contains minor rounding

2024/25 Other Indirect Costs over £100k – Meat

Associated Cost	Full cost £m	Meat %	Indirect cost £m	Industry cost 2024/25 £m	Industry cost 2023/24 £m	Variance £m	Variance %
Field Management and Regulatory Delivery travel	£0.52	22%	£0.12	£0.10	£0.06	(£0.04)	(67%)
Sampling and testing costs	£0.79	0%	£0.00	£0.00	£0.00	£0.00	0%
IT Systems and support costs				£0.42	£0.42	£0.00	0%
					£0.00	£0.00	0%
						(£0.01)	(25%)
							(50%)
							0%
Sub Total	£15.84		£0.91	£0.81	£0.68	(£0.13)	(20%)
<i>Grand Total</i>				£4.42	£4.19		

Note: the table above contains minor rounding

Mapping to Article 81 cost categories as required under Article 85 - Main Industry Rate

Article 81 presentation of 2024/25 Industry cost		
Category	Description	£m
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.	£46.10
B	The cost of facilities and equipment, including maintenance and insurance costs and other associated costs.	£1.49
C	The cost of consumables and tools.	£0.80
D	The cost of services charged to the competent authorities by delegated bodies for official controls delegated to these delegated bodies.	£0.00
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.	£0.35
F	The cost of travel of the staff referred to in point (A), and associated subsistence costs.	£2.43
G	The cost of sampling and of laboratory analysis, testing and diagnosis charged by official laboratories for those tasks.	£0.00
TOTAL		£51.15

Note: the table above contains minor rounding

Mapping to Article 81 cost categories - Enforcement Rate

Article 81 presentation of 2024/25 cost		£k
Category	Description	
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.	£345
B	The cost of facilities and equipment, including maintenance and insurance costs and other associated costs.	£5
C	The cost of consumables and tools.	£3
D	The cost of services charged to the competent authorities by delegated bodies for official controls delegated to these delegated bodies.	£0
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.	£1
F	The cost of travel of the staff referred to in point (A), and associated subsistence costs.	£6
G	The cost of sampling and of laboratory analysis, testing and diagnosis charged by official laboratories for those tasks.	£0
TOTAL		£359

Note: the table above contains minor rounding

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**JUDICIAL REVIEW
INFORMATION – ANNEX 3**

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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 85.7% for OVs and 92.8% for MHIs, with a weighted average of 90.6% 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 89.04% 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 2024/25, although this rate will not be charged at present and the main charge rate will be charged for this export activity, pending consultation.*

Hours

- OV industry budgeted hours for 2024/25 were 338,585 out of total budgeted OV hours of 395,235 (the additional budgeted hours relating to Government*), giving an industry OV percentage of 85.7%. These are the total budgeted hours for all OVs i.e. FSA and contractor OVs.
- MHI industry budgeted hours for 2024/25 were 830,413 out of total budgeted MHI hours of 895,093 (the additional budgeted hours relating to Government), giving an industry MHI percentage of 92.8%. These are the total budgeted hours for all MHIs i.e. FSA and contractor MHIs.
- The industry budgeted hours were 1,168,998 out of total budgeted hours of 1,290,328 (the additional budgeted hours being for controls provided to Government), giving a weighted industry percentage of 90.6%.

**Additional explanatory note to supplement the above wording under the judgment order. For 2024/25 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.*

Main industry rate direct costs

- Employed staff costs of £15.6m have been calculated as representing the appropriate weighted industry percentage of the budgeted wage bill of FSA meat industry staff of £17.1m. That weighted industry percentage is achieved by applying the relevant industry OV and MHI percentages to the employed OV cost of £2.6m and employed MHI cost of £14.5m making up the £17.1m.
- 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 £30.0m have then been calculated as representing the appropriate weighted industry percentage of the budgeted contractor costs of £33.7m. That weighted industry percentage is achieved by applying the relevant industry OV and MHI percentages to the OV contractor cost of £17.7m and MHI contractor cost of £16.0m making up the £33.7m.
- Laundry/equipment costs of £0.6m and frontline travel costs of £0.6m 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 £0.7m and £0.6m, 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.

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 £4.4m, as explained in slide 34 and 35. This is split between OV indirect costs of £1.3m and MHI indirect costs of £3.1m by reference to the proportion of industry hours budgeted for each.

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**DISCOUNT AND ANNUAL
HOURS BANDS FOR MEAT
CONTROLS – ANNEX 4**
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Meat controls annual hours bands and discounts for slaughterhouses and game handling establishments from 1 April 2024

	Red meat slaughterhouses and game handling establishments annual hours bands	Poultry slaughterhouses annual hours bands	Discount
Band 1	Up to 267	Up to 804	90%
Band 2	267 - 951	804 - 1,962	75%
Band 3	951 - 3,300	1,962 - 3,576	26%
Band 4	3,300 - 7,482	3,576 - 6,660	14%
Band 5	7,482 - 15,879	6,660 - 21,396	4%
Band 6	More than 15,879	More than 21,396	2%

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 2024/25

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
£36.3	£14.9	£51.2	70.8%	29.2%	£0.1	£0.3	£1.5	1.2	£38.1	£14.9	£53.1	£32.45

- FSA held a meeting on 28 November 2023 to discuss some rebalancing of the distribution of discount funding. This followed stakeholder discussions in February 2023 that noted proportionately greater reductions in bands three and four over time.
- On the 5 February 2024 FSA met industry stakeholders and presented a range of discount options for review that slightly rebalanced discounts so that proportionately more discount funding was provided to smaller slaughterhouses and game handling establishments.
- Industry stakeholders who expressed a preference collectively had a greater preference for Option D (Slide 44) from the four options presented by the FSA.