

**REVIEW OF SMALL QUANTITIES CHARGE FOR EXPORT HEALTH CERTIFICATES**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 Responding to the criticism by industry and others on increased export certificates charges introduced on 1 April 2018, a small quantities charge was developed. Consignments below 5kg in weight have a reduced fee of £18.55, as opposed to the full charge of £96.55 (20/21 fee levels).
- 1.2 There has been limited uptake of this reduced charge with businesses indicating that 5kg is too low. As a result of discussion with the industry, we agreed to review the small quantities charge and this was noted at the Council's budget meeting in February 2020. The proposed revisions will bring more consignments into the small quantities weight limit and allow businesses to benefit from reduced rates that in time will help develop the industry.
- 1.3 This is critical in supporting our economy, as we move into the recovery phase from COVID-19, as Argyll and Bute is dependent on a successful export sector (principally fish and shellfish) being able to access worldwide markets.
- 1.4 The financial impact of these changes will be a reduction in environmental health income levels and a projected budget shortfall. There is likely to be a further review as we leave the EU with work going on nationally looking at export certificates.
- 1.5 It is recommended that the Business Continuity Committee agree that the charge for small quantities export health certificates is amended to include all consignments less than 60kg in weight with a revised charge of £42.00 per certificate with immediate effect. For consignments above 60kg, the current charge of £96.55 remains unchanged.

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**Review of Small Quantities Charge for Export Health Certificates**

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**2.0 INTRODUCTION**

- 2.1 The revised export certificates charges introduced by the Council on 1 April 2018 were the subject to much criticism locally and nationally. Responding to the criticism by industry and others a small quantities charge was developed. Consignments below 5kg in weight have a reduced fee of £18.55, as opposed to the full charge of £96.55 (20/21 fee levels).
- 2.2 Following representations from business, we agreed to revisit the small quantities charge as this was not benefiting business, as it was designed to do, with low levels of uptake. This commitment was given in January 2020 pre-COVID-19 and noted at the Council's budget meeting in February 2020 and given the unprecedented difficult trading situation, it is imperative in terms of Argyll and Bute Economic Recovery Plan, that we support the non EU export sector that requires the use of export certificates and which is a significant employer in our area.

**3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Business Continuity Committee agree that the charge for small quantities export health certificates is amended to include all consignments less than 60kg in weight with a revised charge of £42.00 per certificate with immediate effect. For consignments above 60kg, the current charge of £96.55 remains unchanged. Agree that the financial impact within 2020-21 estimated to be £15,005 is met from the General Fund unallocated balance.

**4.0 DETAIL**

- 4.1 Local authorities are able to set their own charges for the determination and issue of export certificates for food consignments which are to be exported to countries out with the EU. In Argyll and Bute, this market is principally for fish, shellfish and whisky exports to other markets including China, Middle East and to the USA. There is no national charging structure for export health certificates despite previous discussions by the Scottish Government as part of the wider EU exit discussions.

Argyll and Bute has one of the highest charges at £96.55 for export certificates and a reduced fee of £18.55 for small quantities under 5kg (2020-21 rates). The only other Scottish Local Authority to have a small quantities charges in place is Western Isles. Their small quantities charge is £15 for consignments less than 5kg.

- 4.2 The small quantities charge was designed to support exporting businesses in sending smaller consignments at a reduced cost. However, demand for these certificates has been low as the weight limit of 5kg is too low and businesses are not benefiting as it was intended. Representations have been received from a major local export business requesting that the small quantities weight threshold be increased to 60 kg. There is some sympathy with the request as in some cases, the cost of the certificate exceeds the retail value of the small consignment. This disadvantages local business in the global market and therefore poses difficulties accessing new markets. It should be noted that the representations were made prior to COVID-19 and therefore are not linked to any recent market change as a result.
- 4.3 That said, the export market has been significantly affected by COVID-19 with initial demand for certificates falling by 90% compared to the same period in 2019. The Chinese market was also affected and closed for a period. Businesses report that demand is running at 40% of normal levels. This is having a significant impact and in turn employment, and the local economy, and there is the added complexities of EU exit on the horizon.
- 4.4 The work associated with export certificates is very resource intensive on the Council's environmental health service and takes resources away from the delivery of other critical work. It's non-statutory, but we continue to deliver this service as it supports businesses and enables them to access the necessary certification to export goods at a local level. The Council are also its regulator for food safety and other legislation and this provides a coordinated approach. The environmental health budget is dependent upon this income.
- 4.5 Various options have been considered by council Officers. **It is proposed that the small quantities charge is revised from consignments less than 5kg at £18.55 to consignments less than 60kg at £42 per certificate with immediate effect.** It is intended to retain the current larger quantities charge at the same level (£96.55) as the combined income will support the delivery of this non statutory service at a local level where we are able to respond quickly to customer needs.
- 4.6 In considering the recommendation we had regard to the following.
1. Not to review the full charging regime at this stage as there is some national work being carried out as part of the EU exit preparations.
  2. The option to do nothing and not amend the small consignment charge. This will not satisfy local businesses, MSPs and there is a reputational risk to the Council. There is also a real potential that the businesses who the small consignment charge was created to support may be unsustainable if we continue with the current charging.
  3. To increase the small quantities weight limit from 5 kg to 60 kg to reflect the demands by industry, but in doing so increase the charge. This reduces the risk that business may split orders into numerous small quantities which would increase the work of the environmental health team and have adverse impacts on the service.
  4. Ensuring that the cost of providing the export certificate by the Council is covered by the charge. We have also taken into consideration the work undertaken nationally by the Society of Chief

Officers of Environmental Health in Scotland who propose a charge of £42.00 per export certificate while at the same time recognising our need to retain a higher charge for large quantities to support the activities of this non statutory service delivered locally.

5. To minimise as far as is reasonably possible the loss of income on the Council's budget. The proposed change will create a full year recurring budget pressure of £21,135 based on 2019/20 demand, excluding the exceptional impacts of COVID.
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- 4.7 The positives of the recommendation are that it utilises the proposed national charge, provides businesses with the weight limit they have requested and therefore a greater opportunity for businesses to benefit from these smaller quantities rate. This is critical as we recover from COVID-19 and the current economic market with further uncertainties of EU exit. It also demonstrates that the Council have listened to the views of business and have delivered our commitment to them and others. As noted the impact will be a reduction in income levels of £21,135 for a full year and £15,005 (based on profile of demand in 2019 for the remainder of the 2020-21 financial year. This figure is likely to increase as a result of the market post COVID, however, this is a separate issue not covered in this report.
  - 4.8 There has not been wide scale consultation with business although we have involved a major exporter in these discussions. They are supportive of the Council moving to the 60kg and have advised that the new charge is acceptable for future certificates, although they would prefer no change to the cost of certificate. However, the £18.55 charge does not cover our costs and the impact on our budget would be greater than what is recommended within this report. The revised fee of £42 reflects the work done nationally in proposing a standard charge for export certificates. It needs to be said that due to the response to Covid-19 there has not been any national progress on implementing this in recent months. That said, it is likely that efforts will be accelerated by the Scottish Government to look again at this issue due to leaving the EU at the end of the calendar year.

## **5.0 CONCLUSION**

- 5.1 There is a need to totally review export charges going forward but this needs to be influenced by work being undertaken nationally. The revised small quantities charge meets the commitments we gave to the local seafood industry and to local and national politicians to look at this matter as positively as we can recognising the costs of the service.
- 5.2 The proposed changes will support exporting businesses in sending smaller consignments at a reduced cost and this is even more important now as these businesses recover from COVID-19. Feedback from businesses has been largely supportive of these proposals although they would wish the current £18.55 certificate charge to remain. That level of charge will not cover our costs and the initial revision of our charges was done primarily to ensure that our internal costs for this non statutory service were covered. The new small quantities charge of £42 per certificate recognises the work carried out to develop a national charge and will mitigate the impact to our budget, albeit, this revised charging regime creates budget pressures on existing budgets. The charge for quantities above 60kg will remain the same as approved by members

previously.

## 6.0 IMPLICATIONS

6.1 Policy	Commitment of Scottish Government and COSLA.
6.2 Financial	The estimated loss of income is circa £15,005 for 2020-21 and this will require to be funded from reserves as, due to additional costs on the service as a result of COVID-19, the service are not in a position to absorb this pressure. A recurring pressure will also be added to the budget outlook for financial year 2021-22 and beyond.
6.3 Legal	The Council are able to set its own charges and these proposals will reduce the likely legal costs which may be required to recover current debt.
6.4 HR	None arising from this report.
6.5 Equalities	None, as new charge would apply to all business.
6.6 Risk	a) Reputational risk to Council in not supporting the fish and shellfish sector and the export market. b) Economic risk as there is a potential of we do not amend our charging regime, local companies will be uncompetitive and may stop exporting or trading.
6.7 Customer Service	No change

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20<sup>th</sup> July 2020

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