

Committee(s)	Dated:
Port Health & Environmental Health Services	20 January 2021
Court of Common Council	04 March 2021
Animal Reception Centre – Heathrow Airport: Annual Review of Charges	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	1,2,
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	£
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: Director of Markets and Consumer Protection	For Decision
Report author: Rob Quest, Department of Markets and Consumer Protection	

Report authors are required to state the financial impact of the report proposals, including confirmation of the source of funding. It is essential that you consult with the relevant contact in the Chamberlain’s Department to confirm the funding position before submission of the report. In those cases, where there is a fixed envelope e.g. the capital budget, it will also be necessary to identify what will be deprioritised to accommodate this extra spend/project.

Summary

The purpose of this report is to seek approval of the increase to be applied to the Schedule of Charges in respect of services provided at the Heathrow Animal Reception Centre (HARC), for the forthcoming financial year 2021/22.

I propose a general inflationary increase to the fees of 3.0%. I also propose to continue the split fee for dogs, cats and ferrets travelling under the Pet Travel Scheme, with a standard charge if the consignment undergoes a pre-check of its paperwork, and a surcharge of £69 for not having a pre-check done. At present around 50% of consignments comply with the pre-check, with the other 50% paying the surcharge.

The charge of £22 to cover the cost of maintaining and administering the mandatory Customs approved electronic inventory system for the declaration of goods will continue.

In spite of the loss of throughput from April to June due to the Covid-19 pandemic, the subsequent unprecedented demand from July, if it continues in Q4, indicates that by the end of the fiscal year, HARC may reach the income target predicted prior to the pandemic and will continue to operate at a surplus in 2021/2022

Recommendation(s)

Members are asked to:

- Approve the charges included in the Appendix to this report with effect from 1 April 2021, or as soon as practicable thereafter.
- Approve the proposed Byelaws contained in the Appendix to this report and recommend to the Court of Common Council that the Byelaws be made, and that the Comptroller and City Solicitor be instructed to seal the Byelaws accordingly.

Main Report

Background

1. The charges for holding animals and provision of other services at the Heathrow Animal Reception Centre (HARC) are due to be reviewed towards the end of the financial year to enable an appropriate variation to be applied with effect from the following April. This advance consideration is necessary because the major proportion of the charges is in respect of quarantine animals and allied services and has to be introduced as an “additional byelaw” to the principal byelaws for the Centre. This takes somewhat longer than a more simplistic, discretionary fee increase. The second, smaller element of the charges is not byelaw controlled and relates to non-quarantine (export and boarding) charges but for practical and operational reasons the two are dealt with together.
2. The funding review in 2011 agreed that the facility should aim to achieve full cost recovery within five years, and this was achieved in 2011/12 (with the exception of one-off capital charges incurred in that year), with continuing surpluses until 2016/17. The budgeted outturn for 2020/21 is a surplus of £520k, but the latest forecast is for a surplus of circa £840k.
3. The main source of income at HARC, the Pet Travel Scheme, is a non-statutory function and is thus open to competition from commercial enterprises (see paragraph 17 below). Following a period of substantial fee increases to ensure a move towards full cost recovery, annual increases from 2013 - 2015 were in line with inflation, but in 2015/16 the overall increase was 1% above inflation, returning to an inflationary increase for 2017 - 2019. However, 2019/20 saw a fundamental change with the introduction of a two-tier charging regime for pet movements. A pre-check fee, in line with previous fees, and a non pre-check fee. It is proposed that this two-tier regime continues. The aim is to get all consignments on a pre-check regime to improve both customer service, animal welfare and staff wellbeing. Currently, pre-checking runs at around 50%.
4. The E.U. regulations for pet travel give a dual set of requirements. For ‘listed countries’, all that is required is a microchip, vaccination against rabies, a wait of

21 days, and then the animal can travel. For un-listed countries, there is a requirement for a microchip, vaccination, a blood test 30 days after vaccination and then a three month wait before travel.

5. The U.K. has stated that it will maintain the same rules for imported dogs and cats as the E.U. as of the 1st January, but that it will be reviewing the legislation. However, at the time of writing there has been no deal and therefore the U.K. may be treated as an unlisted country. These stricter and more complicated rules could lead to a decrease in throughput. There is also a risk that some of the expats who travel to work in the UK may be diverted to other European cities, depending on the outcome of any deal with the EU.

Current Position

6. The income for Animal Health during 2020/21 was originally projected as £4.36M with the latest forecast being income of £4.41M and an overall surplus of £840K. Expenditure at the HARC has risen over the past two years to cover the increased throughput, which has necessitated greater use of consumables (food, bedding etc.) and recruitment of additional staff.
7. Current budgeted income for Animal Health in 2021/22, taking into account the proposed increases in charges in this report, is £4.49M, and the overall projected net outturn for 2021/22 is a surplus of £795K, although this remains subject to some uncertainty until the outcome of any deal with the EU is known.
8. The City of Corporation is still in discussion with Heathrow Airport Limited regarding a change of location for HARC. However, if a move does go ahead, the timing of it will not impact on HARC during this financial period.

Proposals

9. Having regard to the continuing need to balance and maximise the HARC income against the danger of reducing the customer base at the Centre, I propose that the HARC Schedule of Charges is amended as shown in Appendix 1 and that this is introduced from 1 April 2020, or as soon as practicable thereafter.
10. Generally, I propose that fees are increased by 3.0% in line with inflation. It is also proposed to maintain the difference in fees between pre-checks and non-pre-checks.
11. Pre-checking paperwork has a three-fold benefit: firstly it allows the required paperwork checks to be carried out during quieter periods; secondly it will decrease the levels of non-compliance with the Regulations which are an administrative burden and finally, it decreases the time the pets are with HARC, therefore freeing up kennels for other pets and improving customer service and animal welfare.
12. HARC is now an Internal Temporary Storage Facility (ITSF), which requires it to have a Customs-approved electronic inventory system for the declaration of goods.

13. There is a cost attached to operating the electronic inventory system of circa £8,000 for its rental, and additional resources for the administration of data entry into the system. It is proposed to increase the charge set to £22 in 2021 – 2022 to cover the cost of the systems and administrative resources required.
14. The Comptroller and City Solicitor will prepare the necessary revised Byelaws that reflect the proposed charges as contained in Appendix 1 for approval by the Court of Common Council and sealed subsequently.

Corporate & Strategic Implications

15. Strategic implications

HARC as part of PH&PP and through ensuring animal and public health by fulfilling its statutory duties, contributes to a flourishing society

1. Financial implications – The newer systems put in place to comply with HMRC requirements have a cost to them, but this is covered by the fees introduced specifically for this purpose. Overall, if throughput is similar to previous years, there should be a small operating surplus.
2. Resource implications – At this time none are envisaged, but any extra resource required will be down to increased throughput and hence income

16. Legal implications

The Comptroller and City Solicitor and the Chamberlain have been consulted and have agreed with the proposal to implement the surcharge on those Pet Travel Scheme consignments that do not send through their documentation to be pre-checked. The Comptroller and City Solicitor also comments:

“The statutory provision under which these charges are now made is Section 30 of the City of London (Various Powers) Act 1987 (which was an enactment removing the need for Ministerial approval of the HARC Byelaws), which provides ... “the charges imposed by such Byelaws shall be such as to secure so far as is possible, that taking one year with another, the aggregate amount raised by such charges is equivalent to the reasonable costs incurred by the Corporation in operating the Animal Reception Centre”. The need for increases to be reasonable is especially important here, since, unusually, the Byelaws machinery which implements the new charges is not subject to any public notification procedure or to confirmation by the appropriate Minister”.

17. Risk implications

There is a real potential for competition at Heathrow for the services we provide. Defra have confirmed that an organisation has applied to operate their own Border Control Post and Traveller’s Point of Entry at Heathrow Airport. There is therefore, a need to keep charges competitive.

18. Equalities implications – N/A

19. Climate implications N/A

20. Security implications N/A

Conclusion

21. Changes to fees in previous years have resulted in the Animal Health Service increasing its income, and the fees that are proposed for 2021/22 should offset recent and future increases in costs and maintain the service at an operating surplus.

Appendices:

22. Appendix 1, Additional Byelaws relating to Heathrow Animal Reception Centre, to incorporate revised charges for 2021/222.

Report author

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