

Committee(s)	Dated:
Port Health & Environmental Health Services – For decision	16 January 2018
Subject: Animal Reception Centre – Heathrow Airport: Annual Review of Charges	Public
Report of: Director of Markets & Consumer Protection	For Decision
Report author: Jon Avern, Port Health & Public Protection Director	

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 2018/19.

Overall I propose that fees are increased by 2%, but to promote more efficient collection I do not propose to increase charges for all those customers that pay via Direct Debit,. This method will minimise administration and should also have a positive impact on aged debt, as experienced by the Port Health Service.

The continued increase in throughput following the changes to the legislation in 2012, and a modest overall increase in fees for 2017/18 for those who do not pay by Direct Debit should offset increased costs, and it is anticipated that the service will operate at a surplus in 2018/19.

Recommendations

Members are asked to:

- Approve the charges included in the Appendix to this report with effect from 1 April 2018, 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 2017/18 is a surplus of £116,000.
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 14 below). Following a period of substantial fee increases to ensure a move towards full cost recovery, annual increases from 2013 - 2016 were in line with inflation, but in 2015/16 the overall increase was 1% above inflation, returning to an inflationary increase for 2107/18.

Current Position

4. From 1 January 2012 the UK harmonised its rules with the rest of the European Union for the importation of dogs, cats and ferrets, as the previous derogation to the rules expired on 31 December 2011. The new arrangements make it extremely easy for people to bring their animals in from ‘listed countries’ (these are the countries that were in the Pet Travel Scheme prior to 1 January 2012 and are those deemed rabies free, or with good rabies controls in place) and allows the importation of animals from ‘un-listed countries’, (i.e. the rest of the world) without having to undergo six months quarantine on arrival. The process for the rest of the world is similar to the process for ‘listed’ countries’ prior to 1 January 2012.
5. Thus, there is now 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. This is similar to the former scheme, except that the wait has come down from six months to three months. This consolidates the old legislation and makes very few changes to the current regime. The changes made since the introduction of the Pet Travel Scheme in 2003 have now been

consolidated into new EU regulations which have been enacted by an amendment to the UK legislation, which came into force on December 2014.

6. The income for Animal Health during 2017/18 was originally projected as £3,165M with the revised estimate being £3.310M. Expenditure budgets at the HARC have risen over the past two years to reflect the increased throughput, which has necessitated greater use of consumables (food, bedding etc.) and recruitment of additional staff.
7. Following a detailed review of the staffing structure a Staffing levels are now considered correct for the current throughput, but an independent review has recently been undertaken to support and secure cost-effective regulatory compliance, whilst also giving the potential to look at new opportunities, should they arise. The recommendations of this review are now being implemented, and a centrally funded consultant is to be engaged, to develop income generation proposals further.
8. Current budgeted income for Animal Health in 2018/19, taking into account the proposed increases in charges in this report, is £3.340m, and the overall projected net outturn for 2018/19 is a surplus of £212,000. This will contribute to funding any expenditure on buildings, equipment etc. as part of set-up costs for new services.

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 2018, or as soon as practicable thereafter.
10. It had been intended to introduce direct debit system during 2107/18, but due to technical reasons this did not happen, although this should now be possible. Fee increases in recent years have, overall, been above the level of inflation, so whilst I propose to raise charges for 2108/19 by 2%, all those customers that elect to pay by direct debit will continue to be charged at 2017/18 rates. This method of payment will minimise administration and should also have a positive impact on aged debt, as experienced by the Port Health Service. There is the potential to recover up to 60% of fees via direct debit.
11. Those carriers that do not enter into direct debit arrangements will be charged in accordance with the revised charges shown in Appendix 1.
12. 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.

Implications

13. The Comptroller and City Solicitor and the Chamberlain have been consulted and have agreed with the proposal to have dual charges. 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”.

14. There is the potential for competition at Heathrow for the Pet Travel Scheme (PETS) as this part of the this our case airlines, responsible for checking PETS. At Heathrow Airport, the City Corporation has negotiated Service Level Agreements with all the airlines that are currently in PETS, but this does not mean that a private organisation could not enter this ‘market’ by undercutting HARC fees. There is, therefore, a need to keep charges competitive.

Conclusion

15. Changes to fees in previous years have resulted in the Animal Health Service increasing its income, and the fees that are proposed for 2018/19 should offset recent and future increases in costs, and maintain the service at an operating surplus.

Appendices: Appendix 1, Additional Byelaws relating to Heathrow Animal Reception Centre, to incorporate revised charges for 2018/19.

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