

Summary: Intervention & Options

Department /Agency: Defra	Title: Impact Assessment of amending the Local Government Act 1972 on animal health functions	
Stage: Final	Version: 0.1	Date: 26 January 2009
Related Publications: Summary of responses to the consultation on the Eves Review of the Animal Health & Welfare Delivery Landscape		

Available to view or download at:

<http://www.defra.gov.uk/animalh/ahws/deliver/responses-summary.pdf>

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What is the problem under consideration? Why is government intervention necessary?

Primary legislation currently prevents local authorities (LAs) contracting work on animal health functions to other local authorities. This is the only area of LA work where such a prohibition applies and intervention to change the law will remove an obstacle to efficient and effective delivery.

What are the policy objectives and the intended effects?

In all policy areas apart from animal health, LAs are permitted to arrange for another LA to carry out work on their behalf. The policy objective is therefore to bring the law on animal health functions into line with the rest of policy areas across government. We expect this to reduce the cost of providing such functions through economies of scale. It may increase effectiveness as LAs with less animal health work could benefit from others' greater expertise and experience.

What policy options have been considered? Please justify any preferred option.

The options are either to make the change, or to do nothing. Doing nothing would perpetuate the barrier to more efficient and effective delivery.

In a recent consultation, respondents on this point unanimously supported removing legal barriers to cross LA boundary work on animal health. This change will allow LAs to make a choice on how they deliver animal health activities to meet the needs of the local community.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? We aim to review in the financial year 2011-2012 in line with the local authority National Performance Indicator for animal health.

Ministerial Sign-off For Final Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Hilary Benn

Date: 3 March 2009

Summary: Analysis & Evidence

Policy Option: 1	Description: Amendment of the Act 1972 on animal health functions
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' As LAs will only contract out their animal health functions if financially beneficial, no costs to LAs are assumed. The amendment is assumed to have no effect on the provision of the animal health function; hence there are no costs to other parties.			
	One-off (Transition) Yrs				
	£ 0				
	Average Annual Cost (excluding one-off)				
	£ 0		Total Cost (PV)	£ N/A	
Other key non-monetised costs by 'main affected groups'					

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' The range of benefits is based on an estimate of the aggregate cost of AH service provision and the potential effect on these costs due to efficiency gains and economies of scale. The range covers zero benefit, based on there being no cost savings, to a 5% reduction in the costs of AH service provision for LAs. A 1% saving is assumed as the best estimate			
	One-off Yrs				
	£ 0				
	Average Annual Benefit (excluding one-off)				
	£ 0 – 277k	2	Total Benefit (PV)	£ 0 – 545k	
Other key non-monetised benefits by 'main affected groups'					
A saving in costs as a result of the change will allow LAs to focus their resources on the needs of their local communities.					

Key Assumptions/Sensitivities/Risks Costs and Benefits are assessed over a 2 year time period, to match the review period.

Price Base Year 2009	Time Period Years 2	Net Benefit Range (NPV) £ 0 – 545k	NET BENEFIT (NPV Best estimate) £ 109k
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What is the geographic coverage of the policy/option?	England				
On what date will the policy be implemented?	ASAP				
Which organisation(s) will enforce the policy?	N/A				
What is the total annual cost of enforcement for these organisations?	£ N/A				
Does enforcement comply with Hampton principles?	N/A				
Will implementation go beyond minimum EU requirements?	No				
What is the value of the proposed offsetting measure per year?	£ N/A				
What is the value of changes in greenhouse gas emissions?	£ negligible				
Will the proposal have a significant impact on competition?	No				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Micro N/A</td> <td style="width: 25%; text-align: center;">Small N/A</td> <td style="width: 25%; text-align: center;">Medium N/A</td> <td style="width: 25%; text-align: center;">Large N/A</td> </tr> </table>	Micro N/A	Small N/A	Medium N/A	Large N/A
Micro N/A	Small N/A	Medium N/A	Large N/A		
Are any of these organisations exempt?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A		

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)
Increase of	£ N/A	Net Impact £ N/A
Decrease of	£ N/A	

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Key:

Annual costs and benefits: Constant Prices

(Net) Present Value

Evidence Base (for summary s

Evidence Base (for summary sheets)

Background

In England, county councils, unitary authorities and metropolitan borough councils are responsible for the enforcement of animal health and welfare legislation relating to farmed animals. Such legislation covers the movement and identification of livestock, animal by-products, biosecurity, disease prevention and contingency, controls at animal gatherings and animal welfare. Local authorities carry out a range of activities to fulfil this role, including providing proactive business advice, farms visits, presence at livestock markets and other animal gatherings, visits to slaughterhouses, visits to ports and checks during transportation. Activities are risk based and are carried out in consideration of national priorities, local circumstances and intelligence.

Animal health activities carried out by local authorities are funded primarily through the Revenue Support Grant. In addition to this, since 2001 there has been direct funding available from Defra to local authorities to supplement the resources available to them for work on animal health and welfare. In 2007/08 the budget for this was £8.5m.

Animal health was described as a national enforcement priority for local authority regulatory services in the Rogers Review¹. Whereas local authorities in England can arrange for nearly all of their activities to be delegated to other local authorities, they are currently prevented from arranging for another local authority to carry out their animal health activities. Under the Animal Health Act 1981, local authorities with low demand for animal health work have to maintain resources for dealing with matters when they arise, rather than being able to seek assistance from other local authorities with more experience and/or specific resources. For some authorities this is not only an administrative inconvenience, but a clear obstacle to efficient and effective delivery. We seek to remove it.

Legal position

Section 101 of the Local Government Act 1972 (LGA) provided that local authorities in England could arrange for the discharge of any of their functions by a committee, a sub-committee or an officer of the authority; or by any other local authority. However, sub-section 7 states that this does not apply to any of their functions under the Diseases of Animals Act 1950. (The 1950 Act was repealed in its entirety by the Animal Health Act 1981 which further consolidated animal health legislation).

In June 2006, Defra published the Eves review² of the roles, responsibilities and relationships of the bodies that deliver and enforce animal health and welfare policies in England. The independent review assessed how effective the delivery landscape was and made recommendations on where improvements could be made. One of Eves' recommendations was that legal obstacles to cross border working between local authorities should be removed.

Defra's response to the review was published for public consultation³ from 14 July to 12 October 2007, in which we agreed with this recommendation. All of the replies we received on this agreed with our seeking to pass the necessary legislation to remove such legal obstacles.

Proposal

The burden described above is a result of a provision in primary legislation. The Legislative and Regulatory Reform Act 2006 (LRRRA) includes order-making powers which a Minister may use to amend primary legislation. The LRRRA allows a Minister to make a Legislative Reform Order (LRO) for the purpose of removing or reducing burdens.

We propose to use an LRO to repeal Section 101(7) of the LGA through amendments to that act, bringing the legal approach to animal health into line with that for other functions. This will

¹ http://www.cabinetoffice.gov.uk/regulation/documents/rogers_review/review2007.pdf

² <http://www.defra.gov.uk/animalh/ahws/deliver/review.htm>

³ <http://www.defra.gov.uk/corporate/consult/eves/index.htm>

remove the legal problem and thus the burden. The LRO will not introduce any additional burdens as arranging for work to be carried out or to carry work out for other local authorities will be voluntary. The order will not require local authorities to discharge activities for which they do not already have responsibility, nor require them to pass them to other authorities unless they choose to do so.

We also propose to repeal Section 101(7A) of the LGA which exempts Welsh principal councils from the prohibition in Section 101. Section 101(7) was introduced into the LGA by the Local Government (Wales) Act 1994, but will need to be repealed along with Section 101 to ensure legislative clarity. This will not have any effect on Wales, as principal councils are currently allowed to carry out animal health functions for each other, and will continue to be able to do so once the prohibition in Section 101(7) is repealed. The Welsh Assembly Government has been consulted and is content for this change to be made.

As this is an enforcement matter, people who comply with animal health legislation should not be adversely affected since the regulatory requirement on them will not change; nor should the general public, since the burdens on local authorities will not change. This should provide a more efficient and effective way of working, allowing local authorities to focus their resources on the needs of their local communities. We therefore feel the balance is firmly in favour of the public interest.

Costs and Benefits

Amending the Local Government Act 1972 should reduce the costs to local authorities of complying with animal health commitments. We expect this to be achieved by allowing local authorities to contract out animal health activities to other local authorities and thus benefit from economies of scale.

By consolidating animal health activities with fewer local authorities we would expect costs to be reduced in areas such as overheads and staffing as there will be reduced duplication of resources. This is due to the restrictions imposed by the act where under utilised and spare resources cannot be shared across local authorities.

For example, it may be the case that an urban authority is maintaining, as required by law, the resources to deal with animal health issues but that these are infrequently used. They may be able to contract this out to a more rural authority who are able to extend the provision of their service for a minimal additional cost. This allows the urban authority to save resources that were originally diverted to animal health activities as there is now less duplication of roles across the two local authorities.

By consolidating animal health activities and having fewer but larger and more utilised resources, the remaining teams might be more effective and efficient in carrying out their animal health activities. This could be due to the greater expertise and experience of teams which would be dealing with animal health issues on a more regular basis, and also benefiting from such things as knowledge spill-over, which is a key benefit of agglomeration. We sought to better understand and value these benefits through the consultation exercise.

It has been very difficult to accurately assess the monetary value of the proposed change to the LGA. Although the consultation has been instructive regarding the more general points concerning the use of the LRO (see below), specifics regarding the likely proportion of LAs offering to provide or contract in AH functions has been limited, as has detailed information regarding current costs of providing various AH functions.

On the costs side, there are no additional costs expected as a result of the change. Although there may be administrative costs to LAs choosing to contract out or provide services, these will be factored into the decision of whether to continue to provide or provide additional AH functions.

In terms of the applicable benefits, it has been necessary to take a “top-down” approach to estimating the values, with a range of benefits based on expected efficiency gains overall. This

is due to both the uncertainty regarding the level and type of LA co-operation on AH and the large expected variation between LAs in terms of AH provision requirements.

There are a variety of AH functions that are carried out by LAs. Three of the key functions relate to inspection and monitoring visits to animal keepers, the vast majority of which are farms, visits to livestock markets and visits to ports of entry by Enforcement Officers. Based on these three functions, overall AH support provided by LAs is estimated to cost approximately £5.54 m annually. This estimate is based on the following assumptions derived from the consultation process, through direct communication with LAs and through information contained within the Eves Review:

- Each visit to a port of entry and farm is assumed to cost an LA approximately £85, including Enforcement Officer wages, administration costs and travel expenses; a visit to a market will cost approximately £180 based on two Enforcement Officers attending, travel and administration costs.
- It is assumed that there are approximately 150 markets, 119,000 livestock holding farms and 16 ports of entry that are inspected.
- Markets are assumed to be visited each week by two officers
- Farms tend to be visited on a risk basis and so not every farm will be visited annually. AMES⁴ data analysed in the Eves review shows that there were 13,288 inspections in the first quarter of 2006 for England and Wales, translating to 53,152 inspections annually. Assuming the same proportion of holdings are visited each year in England and Wales, and that there are approximately 18,000 livestock farms in Wales, translating the AMES figure to England only suggests around 49,000 visits are carried out annually.
- Each port of entry is assumed to be visited once a year.

Although savings are likely, it has not been possible to accurately provide a point estimate of the benefits of this proposed change due to the uncertainties discussed above. On the one hand, if LAs choose not to purchase functions from or sell functions to other LAs, the benefit of the proposal will be zero. On the other hand, if high levels of co-operation between LAs on AH occur, there could be large savings for LAs translating to significant benefits overall. For illustrative purposes, if we assume that the three functions above provide an approximate estimate for the cost of AH support by LAs, a 5% cost saving would translate to a benefit of around £277,000. Note that this figure is likely to underestimate the level of benefit from this size of saving, due to the additional AH functions not accounted for e.g. farm advice, processing licenses, roadside livestock vehicle checks, visits to slaughterhouses etc. Taking a conservative estimate that the amendment of the act will result in a 1% saving in total costs, around £55,000 is expected to be saved on an annual basis for LAs together in England.

	Markets	Farms	Ports	Total
Number of annual visits	7800	48,631	16	56446.6
Cost per visit	180	85	85	350
Total cost	£1,404,000	£4,133,601	£1,360	£5,538,961
Benefit: 0% cost saving				£0
Benefit: 1% cost saving				£55,390
Benefit: 5% cost saving				£276,948

⁴ AMES is the Animal Health and Welfare Management & Environment System, a computer database operated by DEFRA. The database used by LAs to record work related to Animal Health and Welfare. See <http://www.defra.gov.uk/animalh/ahws/deliver/index.htm>

Consultation

As stated earlier, we previously consulted on removing the legal barrier to cross authority boundary work. We then consulted on whether an LRO is the best method of doing so.

The substantive responses to the consultation all agreed with Defra's proposal to use an LRO to remove the legal barrier to cross authority boundary work on animal health activities. There was agreement that there is no satisfactory non-legislative solution, and that using an LRO would be proportionate, fair, not constitutionally significant, and would not remove any rights or freedoms. Those who replied on the question of Parliamentary procedure all agreed that the proposed approach of using negative resolution should apply. There were expressions of interest in offering animal health services to other local authorities, although information on what this would cost was limited.

Specific Impact Test Outcomes

Competition Assessment

At present there is no competition as local authorities must perform their own animal health activities. The proposal may bring in an element of competition as local authorities would be free to choose other authorities to do this work on their behalf.

Small Firms Impact Test

The proposal applies to local authorities only and will not have a negative impact on small firms. There may be a positive impact as firms benefit from the increased expertise and efficiency, and therefore improved service delivery.

Legal Aid

The proposal does not create new criminal sanctions or civil penalties, so will have no effect on Legal Aid.

Sustainable Development

As the overall number of activities carried out by local authorities will not change, the proposal has no implications for sustainable development.

Carbon Impact Assessment

The proposal will have no significant effect on carbon emissions, as the total amount of work carried out by local authorities will not change. There may be additional vehicle miles travelled in order for some local authorities to perform animal health activities for others. However, the emissions resulting from this would not exceed the level which Defra terms significant and therefore the change in emissions has not been quantified in this impact assessment.

Other Environmental Issues

As the overall level of activity carried out by local authorities will not change, the proposal has no implications for other environmental issues such as climate change, waste management, landscapes, water and floods, habitats and wildlife, or noise pollution.

Health Impact Assessment

The proposal will not directly impact on health or well being and will not result in health inequalities.

Race /Disability/Gender

There are no limitations on meeting the requirements of the proposal on the grounds of race, disability or gender. The proposal does not impose any restriction or involve any requirement which a person of a particular racial background, disability or gender would find difficult to comply with.

Human Rights

The proposal is consistent with the Human Rights Act 1998.

Rural Proofing

The proposal applies to all local authorities, whether urban or rural. The policy is unlikely to have any significant differential impacts between rural and urban areas. Any contracting out which occurs is more likely to be towards rural local authorities who may be better placed to perform the activities. Therefore, if there is any differential impact, it is more likely to be positive in rural areas.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No