

<b>Title:</b> Animal Activities Licensing Schemes <b>IA No:</b> Defra/AW/002 <b>RPC Reference No:</b> n/a <b>Lead department or agency:</b> Department for Environment, Food and Rural Affairs <b>Other departments or agencies:</b> n/a	<b>Impact Assessment (IA)</b>			
	<b>Date:</b> 01/12/2017			
	<b>Stage:</b> Development/Options			
	<b>Source of intervention:</b> Domestic			
	<b>Type of measure:</b> Secondary legislation			
<b>Contact for enquiries:</b>				

<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> Not Applicable
--	------------------------------------

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£10.8m	£10.8m	-£1.1m	In scope	Qualifying provision

**What is the problem under consideration? Why is government intervention necessary?**  
 The existing licensing regimes for animal related activities pre-date the Animal Welfare Act 2006 and are not consistent with their standards or with each other. Alternatives, such as providing guidance to local authority inspectors have not been completely successful and so the only effective way to improve welfare standards is to update the legislation. The current regime is convoluted and unnecessarily burdensome for both businesses and local authorities, so correcting for this government failure should result in a more transparent and efficient process.

**What are the policy objectives and the intended effects?**  
 To improve animal welfare by bringing five animal activities licensing schemes up to date and in line with the requirements of the Animal Welfare Act 2006.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**  
 Guidance was provided to local authority inspectors in an attempt to raise welfare standards but many did not adopt the guidance. This did not have a big enough impact on welfare standards. Industry umbrella groups are co-operative and seek to raise standards with their members but they only account for a small percentage of licenced businesses. The only effective way of raising standards with so many independent businesses is to update the legislation. This is therefore the only option considered in this IA.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 10/2023				
Does implementation go beyond minimum EU requirements?			N/A	
Are any of these organisations in scope?			<b>Micro</b> Yes	<b>Small</b> Yes
			<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b>	
			<b>Non-traded:</b>	

***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: \_\_\_\_\_ Gardiner of Kimble Date: \_\_\_\_\_ 6th February 2018

# Summary: Analysis & Evidence

# Policy Option 1

## Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year 2016	PV Base Year 2018	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: 10.8

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0.2	0	0.2

#### Description and scale of key monetised costs by 'main affected groups'

There will be one-off familiarisation costs to both businesses and local authorities from the updated regulation.

#### Other key non-monetised costs by 'main affected groups'

Local authorities may need to deal with an additional workload if many more businesses are brought into scope but are unlikely to acquire additional resource so will need to meet this demand by re-prioritising existing activities.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	1.3	11.0

#### Description and scale of key monetised benefits by 'main affected groups'

The move to a risk-based approach for licensing and inspections will benefit those businesses deemed 'low risk' as they move to either a 2 or 3 year licence renewal as opposed to annual. In turn, local authorities will benefit from fewer inspections for those businesses. Businesses that have multiple functions will benefit from only having to apply for a single licence that covers all activities.

#### Other key non-monetised benefits by 'main affected groups'

The updated legislation and guidance should result in a clearer, simpler and more consistent licensing system. Licensing will no longer be restricted to the calendar year, allowing for a more evenly distributed administrative burden for local authorities. Animal welfare conditions should improve as a result of bringing licensing standards in line with the Animal Welfare Act 2006.

#### Key assumptions/sensitivities/risks

Discount rate (%) 3.5

The cost estimates above are based on a series of assumptions and expert judgment. One off time costs for local authorities to familiarise themselves with the new regulations and disseminate this to staff is assumed 2 hours. One off business familiarisation costs is assumed 1 hour per business. Both use median wage assumptions. The number of businesses deemed low (30%), medium (30%) and high (40%) risk was based on a combination of feedback from a local authority expert panel and judgment.

#### BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0	Benefits: 0.1	Net: 0.1	
			-0.5

# Summary: Analysis & Evidence

# Policy Option 2

Description:

## FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate			

Description and scale of key monetised costs by 'main affected groups'

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate	0		

Description and scale of key monetised benefits by 'main affected groups'

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks

Discount rate (%)

## BUSINESS ASSESSMENT

Direct impact on business (Equivalent Annual) £m			Score for business impact target (qual provs only) £m:
Costs:	Benefits:	Net:	

# Summary: Analysis & Evidence

Policy Option 3

Description:

## FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate			

Description and scale of key monetised costs by 'main affected groups'

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate	0		

Description and scale of key monetised benefits by 'main affected groups'

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks

Discount rate (%)

## BUSINESS ASSESSMENT

Direct impact on business (Equivalent Annual) £m			Score for business impact target (qual provs only) £m:
Costs:	Benefits:	Net:	

# Evidence Base (for summary sheets)

## Introduction

A number of animal related activities require the operators to be licenced by their local authority. These are: (i) performing animals; (ii) pet sales; (iii) animal boarding (cats and dogs); (iv) horse riding establishments; and (v) dog breeding. Applicants pay an annual fee to their local authority who grant licences and enforce the licensing scheme.

## Problem under consideration

### General

The laws regulating each of these activities date back in some cases to 1925 and are therefore not tailored to modern day practices. They may also impose certain burdens on businesses or local authorities that are no longer considered necessary – e.g. the local authority must send a copy of each performing animal certificate to Defra; licences must run for a calendar year.

The laws also pre-date the Animal Welfare Act 2006 (the 2006 Act) which introduced a duty of care on all owners to provide for the welfare needs of their animals. Such needs include: (a) suitable environment; (b) suitable diet; (c) exhibit normal behaviour patterns; (d) whether to be housed with or apart from other animals; and (e) protection from pain, suffering, injury and disease. Failure to do so can result in a maximum penalty of 6 months' imprisonment and/or an unlimited fine.

However, not all local authorities have applied the requirements of the 2006 Act to licenced activities. This means that some licenced activities may only be meeting some of the welfare needs of their animals e.g. they may not be ensuring that their animals are housed with, or apart from, other animals or the animals may not be able to exhibit their normal behaviour patterns. This is because local authorities are not required to enforce the 2006 Act, even though they have powers under the 2006 Act to do so. Despite local authorities having up to date guidance on most of the licenced activities, which is designed to help them when inspecting licenced premises, and which does take account of the 2006 Act, local authorities are not required to use it.

We therefore have a problem in that some animals within regulated activities may not be kept in accordance with the current law.

In addition, there are problems with the individual licensing schemes:

Exhibiting/performing animals: the present law on the registration of performing animals is not clear on whether it covers so called "mobile animal exhibits". These are events where a person or persons will take animals (usually small mammals, reptiles, amphibians or birds) to a school or office to exhibit the animals. There have been concerns over the welfare of some of these events in which the animals may or may not be "performing" but are being exhibited. It is therefore proposed to ensure that such activities are included within the new regulatory system.

Animal boarding: the existing law makes no allowance for smaller scale businesses that look after dogs in the home of the business provider. They are currently classed as an "animal boarding establishment" with the same requirements as a large scale boarding kennel. We wish to change this so that specific statutory conditions will apply to such businesses.

Dog breeding: There is confusion about which dog breeders should be licenced and which should not. The existing definition refers to anyone who is in the business of breeding and selling dogs and also requires anyone who breeds and sells five or more litters in a twelve month period to be licenced. However, most local authorities have interpreted the five litters in a twelve month period as the threshold for a licence. Despite informing local authorities that the business test is the overriding threshold, local authorities use the five litters as a threshold because it is easier than trying to establish who "is in the business".

## **Rationale for intervention**

We have attempted to guide local authorities to applying the requirements of the 2006 Act through guidance drafted by key interested parties including animal welfare organisations, veterinary groups and animal keeping interests. However, it is estimated that only about half of local authorities use the up to date guidance. This has resulted in welfare standards at some licenced activities not being in line with those within the 2006 Act. This has attracted criticism from key stakeholders and has led to little confidence in the existing licensing schemes. The general consensus of responses to the consultation carried out was that key stakeholders (i.e. animal welfare organisations, veterinary groups, local authorities and businesses) wanted to see a more credible licensing system that set minimum welfare standards, as required by the 2006 Act.

To require local authorities to apply minimum welfare standards to these activities we need to apply them within the regulatory scheme. The existing laws do not apply the full range of welfare considerations which are now required for every owner and keeper under the 2006 Act. As the new regulations will be made under the 2006 Act the welfare standards will be in line with those within the 2006 Act.

## **Proposal**

We will replace the existing licensing laws (Performing Animals (Regulation) Act 1925, Pet Animals Act 1951, Animal Boarding Establishments Act 1963, Riding Establishments Acts 1964 and 1970, Breeding of Dogs Acts 1973 and 1991 and the Breeding & Sales of Dogs (Welfare) Act 1999) with new regulations to be made under the 2006 Act.

Local authorities will continue to enforce the licensing schemes but will be allowed to issue licences that run beyond the existing fixed 1 year term. Instead, local authorities will assess each individual business on a risk rating. Those that are considered to be at high risk of breaching the licence conditions will be issued with a 1 year licence. There will be a risk-rating matrix which will enable local authorities to decide how a particular business should be rated. Risk will be assessed on the basis of past performance and compliance and whether the business is seeking to apply higher standards than the minimum. Voluntary higher standards will be set out in guidance. The regulations will set out minimum standards.

Licences of 2 or 3 years will be for those individual businesses that local authorities consider to be of medium and low risk. Licences of 2 or 3 years should produce savings for those businesses as there will be fewer inspections. However, those businesses with 1 year licences (high risk businesses) will still have to pay for annual inspections and so will not have any savings. The idea is to encourage businesses to gain earned recognition, become low risk and thereby save money. In the process good compliance and higher standards are encouraged.

## Devolved administrations

As animal welfare is a devolved subject, the new licensing schemes will apply to England only.

Licenced Activity	Estimated numbers of licenced activities in England	Average Cost of Licence Fee (£)
Pet Shops	2,300	135
Animal Boarding	6,300	172
Riding establishment	1,800	539 (assuming £400 vet fees)
Dog breeding	4,950	152
Performing animals	500	138
Total	15,850	(Average fee based on weighted average of different licenced activity) 201

## Options

No non-regulatory options exist which would provide adequate animal welfare protection.

As such, the following options have been considered:

**Option 0** – Maintain the status quo and continue to use existing guidance. This option is not favoured as it does not have a big enough impact on welfare standards with many local authority inspectors not adopting the updated guidance. Industry umbrella groups are co-operative and seek to raise standards with their members but they only account for a small percentage of licenced businesses. This option is the baseline against which the preferred option will be compared.

**Option 1** – Update legislation and guidance under the Animal Welfare Act 2006, replacing the existing legislation for animal boarding establishments, pet shops, riding establishments, and dog breeding. These reforms will create a single licence for these activities, allowing local authorities to increase the maximum length of time that a licence can be issued using a risk-based approach of assessment. The reform will simplify the licence and application process, ensuring greater consistency and clarity around inspections and enforcement. This is the preferred approach.

## Costs

Businesses and local authorities will need to familiarise themselves with the new guidance and regulation.

For each local authority, we assume a one-off familiarisation cost of 2 hours. This includes one hour for the staff member to understand the new guidance, and a further hour to disseminate this information to staff members. Given there are 356 local authorities affected by this reform, this results in 712 hours required for familiarisation. Taking the ONS ASHE 2016 provisional figures for local government administrative occupations and uplifting 30% to reflect non-labour costs gives an hourly cost of approximately £16. Multiplying this hourly rate by the total

estimated hours of additional burden results in an overall one-off cost estimate of around £11,400

For each business, we assume a one-off familiarising cost of 1 hour. We note that this may represent an overestimate of the additional time required to understand the new regulation, but have made this simplifying assumption for calculation purposes. Given there are 15,850 businesses affected by this reform, we assume 15,850 hours are required for familiarisation. Taking the ONS ASHE 2016 provisional figures for shopkeepers and proprietors and uplifting 30% to reflect non-labour costs gives an hourly cost of £15. Multiplying this hourly rate by the total estimated hours of additional burden results in an overall one-off cost estimate of around £230,200

## Benefits

### Licensing

Currently applicants apply annually for a licence (taking about an hour to complete the form). Following the reform it is anticipated that a licence will last for up to 3 years, depending on the riskiness of the business. Based on feedback from a local authority expert panel and judgement, we have assumed the following risk ranges:

Risk assessment of Business	Percentage of Total Businesses	Total number of Businesses
Low	30%	4,755
Medium	30%	4,755
High	40%	6,340
<b>Total</b>		15,850

Low risk businesses will require licence renewals every 3 years, medium risk businesses every 2 years and high risk business annually. High risk businesses, unless multi-functional, will therefore not experience any additional benefits as the current system requires annual licence renewal. Based on feedback from the expert local authority panel, we assume that 1% of businesses are multi-functional and will therefore accrue savings from obtaining a single licence and undergoing one inspection per year. (For the purposes of this analysis, we assume a saving of 2 hours per year for each multi-functional business and that all multi-functional businesses are high risk).

It is possible this intervention will result in a shift towards more favourable practices by businesses in order to move into the lower and medium risk categories and therefore benefit from the additional savings. However, for the purposes of this analysis we have assumed the risk ranges as they currently stand but note that it is possible we will see an increase in businesses deemed medium and low risk if behaviours are changed.

### Inspection

Inspections currently take place annually. The proprietor/manager attends and the inspection lasts an hour on average. Following the reform, it is anticipated that inspections will take place potentially every 3 years, depending on the risk category of the business. The cost saving to business is therefore the same as the cost saving for licence application above.

Under the current system, each business is assumed to spend 2 hours per year filling in a licence application and undergoing an inspection. Following the reform, each high risk businesses will continue to spend 2 hours per year for these activities and will therefore experience no additional benefit (unless multi-functional). However, each medium risk business



will only require, on average, 1 hour per year for these activities, while each low risk business will only require, on average, 2/3 of an hour to complete these activities.

Risk assessment of Business	Total number of Businesses	Annual hours saved per business for inspections/applications under new regulation	Annual Savings to Businesses (£s)
Low	4,755	1.33	92,000
Medium	4,755	1	69,000
High	6,182	0	0
High Multi-functional	158	2	4,600
<b>Total</b>	<b>15,850</b>		<b>165,700</b>

Taking the ONS ASHE 2016 provisional figures for shopkeepers and proprietors and uplifting 30% to reflect non-labour costs gives an hourly cost of approximately £15. Multiplying this hourly rate by the total estimated hours saved for all businesses results in an overall annual benefit estimate of around £165,700.

#### Licence Fee Renewal costs

Under the current system, each business is assumed to spend, based on a weighted average of different licensing activities and associated costs, £201 per year to renew licences annually. Following the reform, each high risk businesses will continue to renew licences annually and will therefore experience no additional benefit. However, each medium risk business only require a new licence every 2 years while each low risk business will only require a new licence once every 3 years. The following table shows the annual savings to businesses as a result of the new measure.

Risk assessment of Business	Total number of Businesses	Annual cost saving Per business for Licence Renewal (£s)	Annual Savings to Businesses (£s)
Low	4,755	134	637,100
Medium	4,755	101	477,900
High	6,340	0	0
<b>Total</b>	<b>15,850</b>		<b>1,115,000</b>

If projected forwards over ten years, and expressed as the 'Equivalent Annual Net Cost to Business' (EANCB), as defined in the latest BIS Impact Assessment calculator, the **EANCB is around -£1.1m.**