

Defra Regulatory Triage Assessment (and Policy Appraisal Statement)

<p>Name to be given to potential policy</p> <p>Implementation of electronic reporting for sheep, goats and deer.</p> <p>Driver for policy:</p> <p style="padding-left: 40px;">Domestic issue</p> <p style="padding-left: 40px;">EU requirement ✓</p> <p style="padding-left: 40px;">International obligation</p> <p>Policy competency: UK</p> <p style="padding-left: 40px;">England ✓</p>	<p>Policy Area or Agency:</p> <p>Animal Health Policy Implementation</p> <p>Lead official:</p> <p>Terry Gurnhill 020 238 5637</p>
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1. Summary: Rationale for Intervention and Options

Summary of the problem.

EU disease control legislation requires the recording of livestock movements on a central database. In England this is the Government's Animal Movement Licensing System (AMLS). Cattle and pig moves are reported electronically. Sheep, goats and deer are presently reported on paper. Destination farmers, markets and abattoirs post a completed movement document to their Local Authority (LA) to manually input the data onto AMLS. This work is funded through the Revenue Support Grant. The funding is not ring fenced.

Paper based systems are burdensome for industry. LAs also have internal budget and resource pressures and local priorities are resulting in delays in recording movements (with some LAs ceasing recording altogether). AMLS data is becoming out of date and unreliable. The problem is likely to get worse.

Deficient AMLS data jeopardises the Government's ability to trace animal movements in a disease outbreak. That risks EU infraction proceedings. Present gaps in the movement data inputting are being filled in at significant dual cost to Government. Defra is funding the British Cattle Movement (BCMS) to input movement data which would otherwise be undertaken by Local Authorities.

The solution is electronic movement reporting for sheep (and goats and deer). This would also deliver savings for industry and was a recommendation by the Task Force on Farming Regulation accepted by Ministers in February 2012¹, supported by industry stakeholders.

Summary of the policy outcomes desired.

i) What are the policy objectives and the desired effects as well as outcomes? Why is Government intervention necessary? What level of compliance would be regarded as tolerable

The objective is to ensure the timeliness and accuracy of movement data for sheep, goats and deer by introducing an electronic movement reporting system delivered by a commercial service provider in place of LAs which will deliver a more efficient and less burdensome reporting route for industry and reduce costs for Government. High throughput IT enabled businesses such as markets and abattoirs would report electronically and farmers who are not e-enabled or who are not able to do so could choose to continue to report on paper to that single service provider. The desired outcomes are to

- (i) protect and improve Government's ability to quickly trace animal movements in a disease outbreak, leading also to a reduction in the cost of controlling outbreaks
- (ii) deliver compliance with EU law, mitigating the risk of EU infraction proceedings due to deficient AMLS data
- (iii) deliver a reduction in the movement reporting burden and reporting costs on industry.
- iv) deliver a reduction in Government costs.

¹ <http://www.defra.gov.uk/publications/files/pb13675-farmregulationtaskforce-response.pdf> (para 8.4).

Intervention is necessary to permit electronic movement reporting through amendments to domestic implementing legislation, otherwise, there are no changes to industry's existing (EU origin) obligations on the identification and recording of these species.

ii) What activities and outputs need to happen in the short, medium and long term

The preferred approach is for electronic reporting to be delivered through a new underpinning and commercially operated database and movement reporting system as recommended by the Farming Regulation Task Force (with a paper bureau service for non IT enabled keepers). This would take advantage of the introduction of electronic identification of sheep in 2010. It would be cheaper than a Government built and operated movement reporting system.

A competitive tender process is underway to identify a service provider. Once the service provider has been appointed (subject to RPC approval of the rationale in this RTA, and an associated business case by Defra's Minister of State) the Animal Health and Veterinary Laboratories Agency would project manage the delivery of the new service in 2013/14.

A consultation is scheduled for Spring 2013. A validation stage Impact Assessment would then be submitted to RPC and the RRC.

2. Potential Policy Options

Explain the opportunities, obstacles and delivery/compliance issues for each option

i) Do nothing (Is "do nothing" an option at all?)

Option 0 is "do nothing".

Maintain the status quo and retain paper movement reporting to AMLS with transitional arrangements (dual funding) for BCMS to take over the data inputting function from LAs who cease this activity due to resource pressures. This is not an option as BCMS are managing the data inputting gaps on an interim basis. Option 0 therefore assumes that post SR an alternative paper data in-putter would be appointed (via ITT) at the same cost as BCMS. This solution does not address problems with unreliable out of date AMLS movement data. That situation is likely to get worse leading to a greater possibility of infraction if left unresolved (with duplicated funding for BCMS to fill the gaps until post SR).

ii) Non regulatory options (Outline details of potential non regulatory options):

None. The baseline requirement in the relevant EU legislation is paper reporting.

iii) Regulatory options (Considering the current regulatory landscape)*:

Option 1:

A commercially owned and operated database which provides for electronic reporting and paper bureau service for keepers. This is the preferred option.

Option 2

Government develops and manages the new database and paper bureau service for keepers.

Would these options result in additional costs to business?	Yes	No	✓
Could such costs exceed £1m per year?	Yes	No	✓

iv) Options that have been ruled out (Why have these been ruled out?):

A Government owned and managed service (option 2) has been ruled out because such a service would be more expensive than an industry owned and managed service.

3. Initial data to be transferred to the Regulatory Management Tool

Unique policy identification number	1398
An Impact Assessment will be required	Yes No <input checked="" type="checkbox"/>
A formal consultation will be required	Yes <input checked="" type="checkbox"/> No
For legislative options - The type of legislation will be	Primary Secondary <input checked="" type="checkbox"/> Affirmative Negative
For legislative options - The impact on existing statute will be	New Amending <input checked="" type="checkbox"/> Deregulatory <input checked="" type="checkbox"/> Repealing
For legislative options - Its status under OIOO will be	Out of scope An Out <input checked="" type="checkbox"/> An In £1m- An In £1m+
For legislative options - The following will be required	A sunset A review clause <input checked="" type="checkbox"/>
Fast track Policy clearance is available	Yes <input checked="" type="checkbox"/> No
Target date for call for evidence consultation	N/A
Target date for call for consultation on proposals	Spring 2013
Target date for Implementation[or to finalise policy options/IA?]	SNR 6
Estimated FTEs required to develop policy through to clearance	0.90

4. Policy Sign-On

We have considered the problem and desired outcomes and have agreed the options and evidence required to enable those options to be further assessed and compared

Sign-on team	Name	Date
Policy Lead	Andrew Bishop	18/09/12
Better Regulation	Martin Heffernan	21/09/12
Economist	Ian Mitchell	11/09/12
Lawyer	N/A	
Social Researcher	N/A	
Delivery Body	AHVLA	6/09/12
[Other]		
Approval to proceed (SRO) (After agreement to any business case produced)	Rory O'Donnell	07/09/12

5. Summary of the proposals

- Introduction of an electronic movement reporting system/database to replace the current paper system for sheep, goat and deer movements - to include a paper bureau service for non IT enabled farmers.
- Markets and abattoirs will report movements electronically which equals around 70% of all annual movements. Farmers can chose to report electronically instead of by paper.
- A modern electronic database will be able to accommodate the individual numbers of electronically identified (EID) sheep. This takes advantage of EID and the opportunity it offers by utilising the ability to quickly obtain the animal's number with a reader and download onto a computer. AMLS is unable to accommodate millions of individual EID numbers and so cannot collect or hold this level of data- see paragraph 5, page 4 for details.
- The overall net benefit (best estimate) between 2013 and 2022 regarding Option 1 is:-
 - Industry is £688k and £559k NPV.
 - Government is £2.42m and £2.06 NPV.

Rationale for Fast Track measures

The policy issue and rational for Government intervention

1. The policy is rectifying deficient AMLS data while reducing the burden to industry of reporting sheep (and goat and deer) moves on paper. For disease control purposes it is important to have an up to date record of where these species have moved to and from. Moving to an electronic reporting system will provide more timely and accurate movement data to support the control of endemic and exotic disease e.g. foot and mouth and blue tongue. This will also aid compliance with EU law on the reporting of sheep movements and reduce the risk of EU infraction.
2. The processes for reporting sheep movements in the current paper system and the proposed electronic method are shown at Annexes A and B to this document.

Geographical location

3. This assessment covers England. Animal health and disease control is a devolved competence. The GB Devolved Administrations report livestock moves into AMLS.

Policy options considered.

4. Two policy options have been considered, these are variations of electronic reporting with a supporting paper bureau service. These will require markets, collection/assembly centres and abattoirs to report movements electronically so providing around 70% of movement data electronically. A paper bureau service would be offered under both options for farmers who would have the choice to report movements though a paper route or electronically (expected this will increase over time).
5. Two options have been considered both are regulatory as a change to electronic reporting would require an enabling amendment to domestic legislation. The two options are:-

Option 1: A commercial database and e-reporting service, and paper bureau service for farmers

Option 2: A Government built/managed database/service, and paper bureau

6. Electronic (EID) and individual recording for sheep were introduced from 31/12/2009. Sheep over 12 months of age are double identified (typically with a pair of ear tags) with each displaying the flock and individual number of the animal. One identifier must be electronic. Slaughter lambs (under 12 months) have a single tag with only the flock number (conventional or electronic options). The movement document which must accompany the animals must contain the individual ID numbers of EID double identified sheep, but just the total (batch) number of slaughter lambs. In the current system, however, only the total number of animals in a consignment (be they individually identified or a slaughter batch) is input onto AMLS (as required by EU legislation). Electronic reporting (both options) would be able to seize the opportunities arising out of EID and allow the database to efficiently collect the individual numbers of electronically reported sheep. In turn the database will transmit just total numbers in each consignment to AMLS on a nightly basis. AMLS was not designed to accommodate millions of individual ID numbers.

Option 1

7. This is the preferred approach. It is significantly less costly than the current system or government database (Option 2). Government and industry will work together with a service supplier to develop a service to seize the opportunities arising from sheep EID and provide for more efficient and timely reporting of sheep, goat and deer movements. The precise delivery timetable will be dependent on the appointed service provider's delivery plan. All movement reporting (electronic and paper) would be transferred to the service provider so providing a centralised reporting service which will reduce costs.
8. Option 1 represents a saving to industry of around £690,000 (or £560,000 when discounted over a ten year period) as compared to the current system. It resolves the issue of inaccurate movement data on the AMLS system and the Government's associated EU infraction risk.

9. A competitive tender process is underway to identify a service provider. The costs cover its gathering of electronic movement data (individual and batch numbers) for nightly transmission to AMLS and provision of the parallel paper bureau service for non-IT enabled keepers. The costs to Government are estimated to be in the range of £500,000 to £1,000,000 per annum. The exact price will not be known until a contractor has been appointed but likely to be towards the higher end. As a best estimate we have assumed £1.0m a year. A service provider should be contracted in November 2012.

Option 2

10. Option 2 would see all costs born by the Government, including development of a new database, paper bureau service and all running and maintenance costs. Electronic reporting as outlined in option 1 for industry will be the same here, that is markets/collection centres will be required to report electronically. Farmers will have the choice to electronically or through the paper bureau service. Development and delivery cost of a new database would be in the region of £5m to £7m with annual running and maintenance costs of £1.5m to £1.6m.

Expected Level of business impact

11. The businesses involved in the production, buying/selling and slaughter of sheep, goats and deer together with number of animals and annual movements are in the table below:-

Animals*	Numbers	Animals moved	Number of movement docs	Keepers	Markets	Abattoirs
Sheep	14,500,00	22,000,000	578,700	47,000	83 with a throughput of sheep/goats	180 & 50 independent small traders
Goats	79,00	44,000	9,000	7,800		
Deer (farmed)	21,000	532	4,000	≤500		

*numbers from Defra June Survey of Agriculture 2011 (sheep includes lambs slaughtered January to June).

12. Overall in both options there is a saving to the industry by using electronic reporting. The impact on the three main industry sectors are:-
- (i) **Keepers (farmers):** Minimal. They can continue to report by paper. They will – save in time and postage if they chose to report by the electronic method.
 - (ii) **Markets:** Minimal. They are already equipped with readers and software to read electronically identified sheep for their own record keeping purposes since 2010. Movement details (batch and individual numbers) are also currently uploaded to their back office systems (as it assists with their generation of sales receipts and invoices) which can be used to transmit that same data to the new database. They will see a one-off cost to test any interface that they may need. They will see ongoing annual savings in postage and labour by reporting electronically.
 - (iii) **Abattoirs:** Most will at present record batch information only on their back office systems and rely on the incoming paper movement documents to update their own holding register with individual numbers of any EID'd cull ewes. Under electronic reporting they will eventually be required to send both batch and individual ID information to the new database (EID culls will not work their way through the system for a few years yet). They will then have a one off cost to purchase EID readers and test the interface, with an annual cost thereafter for labour to read EID numbers and for reader maintenance. Annual savings will be in reduced postage by reporting electronically.
13. We will be consulting on this measure which will have an impact on micro businesses. The impact will be positive with an overall net reduction for businesses. A waiver from the moratorium on regulation affecting micro businesses will be sought at the consultation stage from both the Reducing Regulation Committee and the Economic Affairs Committee.

The table below summarises the monetised cost and benefits above the current system for industry and government for Option 1.

Type of cost	Industry – Option 1		Government – Option 1	
	Costs	Benefits	Costs	Benefits
One-off	£47,000 EID readers, abattoirs £40,000 Interface testing, markets/abattoirs		£182,000 Interface to transfer batch information from new database to AMLS	
Annual	£9,000 EID reader upkeep, abattoirs £23,000 EID reading, abattoirs £8,000 to £33,000 Printing movement documents by farmers using e-reporting	£38,000 - £143,000 Labour saving for keepers who report electronically £9,000 - £57,000 Savings in postage costs for all sectors	£1,000,000 Cost for service provider contract	£60,000 Distribution of movement documents to industry £1,200,000 Data inputting by LAs and/or BCMS

14. The costs and benefits under Option 2 for industry are the same as for Option 1. Government costs for Option 2 are higher than Option 1 with development costs for a new database estimated between £5m - £7m and annual running costs of around £1.5m

15. [The main monetised best estimates showing the net values and NPVs over a 10 year period for Options 1 and 2 are in the tables below.

Option 1 - best estimate over 10 years: Net Values and NPVs (£)

Year:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Industry Net	7033	18893	14203	69053	69053	69053	102078	102078	102078	135102	688622
Industry NPV	7033	18254	13259	62282	60175	58141	83040	80232	77519	99129	559063
Govt Net	78000	260000	260000	260000	260000	260000	260000	260000	260000	260000	2418000
Govt NPV	78000	251208	242713	234505	226575	218913	211510	204358	197447	190770	2055998
Net Value	85033	278893	274203	329053	329053	329053	362078	362078	362078	395102	3106622
NPV	85033	269462	255971	296787	286750	277054	294550	284590	274966	289899	2615062

Option 2 - best estimate over 10 years: Net Values and NPVs (£)

Year:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Industry Net	7033	18893	14203	69053	69053	69053	102078	102078	102078	135102	688622
Industry NPV	7033	18254	13259	62282	60175	58141	83040	80232	77519	99129	559063
Govt Net	-6558058	-376058	-376058	-317111	-317111	-317111	-243676	-243676	-243676	-170241	-9162775
Govt NPV	-6558058	-363341	-351054	-286016	-276344	-266999	-198231	-191527	-185050	-124911	-8801530
Net Value	-6551025	-357165	-361855	-248058	-248058	-248058	-141598	-141598	-141598	-35138	-8474153
NPV	-6551025	-345087	-337795	-223735	-216169	-208859	-115190	-111295	-107531	-25782	-8242467

16. The introduction of electronic reporting under option 1 contributes to a number of benefits which it has not been possible to monetise. These include:-

- Eliminating the risk of EU infraction (unknown size but if it occurred likely to be millions) by plugging the gaps in paper based movement data recorded on AMLS.
- Significantly less reliance on paper recording for industry and Govt.
- A more accurate data set of sheep (goat and deer) movement data.
- Greater partnership working/responsibility sharing between industry and government.
- The service provider will, over time, offer sheep producers commercial services to take advantage of the recording of their animal's individual ID data by associating with it data on lambing ratios, carcass quality, weight gains, and medications improving profitability .

- Collecting EID read rate data at markets to provide evidence underpinning future negotiations with the EU on allowing an EID record keeping tolerance for farmers (to reduce the risk of cross compliance reductions to their EU Single Farm Payments).
17. The measures to introduce electronic reporting are in scope for “one-in, one out”. They relate to changes to domestic legislation which will deliver an overall benefit to industry in generating a net “out”. We currently estimate the Equivalent Annual Net Cost to Business to be approximately -£58,000 (i.e. a saving) in 2009 prices², but will confirm the magnitude following a planned public consultation.

² The Equivalent Annual Net Cost to Business of a policy option is the constant annual cost to business over the period evaluated which when discounted and summed is equivalent to the net present value to business (£559,063 in this case). EANCBS are deflated to 2009 prices so that they can be compared between policy proposals.

(OPTION 0) REPORTING SHEEP MOVEMENTS – THE CURRENT PAPER BASED SYSTEM



