



**Treasury Minute on the
Twenty-seventh Report from the
Committee of Public Accounts
2003-2004**

27th Report: Identifying and tracking livestock in England

**Presented to Parliament by the Financial Secretary
to the Treasury by Command of Her Majesty
October 2004**

TREASURY MINUTE DATED 13 OCTOBER 2004 ON THE
TWENTY-SEVENTH REPORT FROM THE COMMITTEE
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Twenty-seventh Report

Department for Environment Food and Rural Affairs

Identifying and tracking livestock in England

The Department welcomes the Committee's report. In responding to its conclusions and recommendations the Department would like to emphasise the importance it gives to having effective systems for livestock identification and tracing, and that it is focussing considerable effort and resources in this area. The Department's longer term plans for the Livestock Identification and Tracing (LIT) Programme, particularly the Livestock Register, promise further major improvements, and support our overall Animal Health and Welfare strategy for building better systems in partnership with Industry.

PAC conclusion (i): The Cattle Tracing System is more expensive and less efficient than systems used in other Member States. Whilst the British Cattle Movement Service employs one person per 5,000 cattle registered, in Denmark the ratio is one person per 40,000 cattle. The Cattle Tracing System was developed in haste, and has suffered from serious technical difficulties in terms of access, ease of use, maintainability, adaptability and its link with other systems.

1. The Department agrees with the conclusion that the current Cattle Tracing System (CTS) needs improving and are pleased that the National Audit Office (NAO) report (2003) recognised the significant investment being made in this area.

2. The original CTS was developed quickly in response to growing BSE concerns, and in order to meet the EU Commission requirement for all Member States to have a rigorous cattle registration and tracing regime before the resumption of exports of beef. This required the extension of Great Britain's (GB's) existing cattle registration system to introduce tracing, the redesign of business processes and the establishment of a new central, national database to support movement reporting and the production of passports as well as the national cattle register. As noted in the NAO report, the fully computerised CTS launched in GB on 28 September 1998 has achieved these original objectives, and has become an integral part of our efforts to improve consumer confidence in British beef. The NAO report acknowledges that at the time, CTS had to be implemented quickly and did not seek to realise all of the potential benefits of a more developed system immediately, but that these developments were envisaged and would be enhanced later. One such development has been the CTS On-line service which won a *Government Computing Award for Innovation* in 2002.

3. The migration of CTS data and processes to a new database and platform that is quicker, more reliable, and easier to maintain upgrade and use is due to be completed during 2005. The first stage of migrating the large amounts of data (28 million cattle records and 88 million cattle movements) started in July 2004. The overall cost of the project is currently estimated at £19.4 million. The Department expects that this investment will provide a full cattle tracing and management information service.

4. Comparisons made between the British system which registers and traces a herd of around 10 million cattle and other Member States like Denmark and the Netherlands which register and trace around 2 million and 5 million respectively (less than GB collectively) can sometimes be misleading. To put this into some context, last year the Department inspected over 2 million cattle, which is more than the whole Danish herd. In addition, it is important to realise that other Member States have not had to deal with the levels of BSE within their herds as has GB.

5. The Department also notes that the statistics quoted in the report are taken from information gathered by the British Cattle Movement Service (BCMS) in 2000 and do not reflect the current position. A comparison of staffing ratios to cattle between Denmark and GB was claimed as 1:40,000 (Denmark), 1:5,000 (GB). Taken at current staffing levels and cattle herd figures the correct ratio for GB is 1:14,000. It is estimated that achievement of our e-business targets for December 2005 (see PAC conclusion iii) will further improve our staff: cattle ratio to 1:20,000.

6. The Department's longer-term plans for the Livestock Identification & Tracing (LIT) Programme promise further major improvements to the quality and availability of livestock data, including:

- Developing a new Livestock Register for implementation in 2006-07. The Department's IT Strategy envisages that this will be one of three corporate registers, the other two containing information on customers and land respectively: the three will operate together to provide information on what animal is held where, kept by whom, with past history. The scope of the Livestock Register is still being developed, and is highly dependent on the progress of the other two corporate registers. In developing this system, the Department will take account of developments and best practice across the European Union (EU) and beyond to ensure that it compares favourably in terms of functionality and efficiency.
- Developing a database of information on equines for implementation in 2005.
- Preparing for the implementation in July 2005 of new EU regulations on sheep identification and tracing, including new recording and reporting processes.
- Preparing for the implementation in 2008 of new EU regulations mandating sheep electronic identification, supported by electronic reporting, by carrying out a pilot project in England to identify practical issues that will need to be resolved.

PAC conclusion (ii): Making markets responsible for reporting all relevant animal movements would reduce anomalies, and could save around £1 million in postage costs a year. Currently the Cattle Tracing System requires notifications from seller, market and buyer, and where these fail to match, or not all are received, they result in an anomaly. Triple and postal notification, involving handwritten entries, increases the numbers of these anomalies, with some 1.2 million anomalies remaining to be corrected. Most livestock markets have well developed and audited systems, and would be better placed, when a movement is through the market, to report all relevant elements of a transaction.

7. The Department accepts the conclusion that the use of electronic and other non-postal methods of reporting movements to the BCMS needs to be further encouraged and developed, and already has plans in hand to achieve this. We have accordingly set ourselves ambitious targets to achieve next year (see PAC conclusion iii). The Department will also extend this principle to other livestock.

8. The number of remaining historic movement anomalies on CTS had already been reduced from 1.2 million (as published in the NAO report of 12 November 2003) to 954,000 at the time of the Committee's evidence session and has now been further reduced to 673,960 as at 30 September 2004. New movement notification issues are being investigated within 7 days of receipt. *(Incidentally, these movement anomalies do not equate to missing or untraceable cattle. They constitute incidences of mistakes or missing information in an animal's movement history. At no time are these animals lost).*

9. The underpinning EU legislation for reporting births, movements and deaths of cattle to a central database places a clear responsibility on the individual cattle keeper to report all movements of cattle on to or off their holding to the database. Holdings are any premises where live cattle are kept, including markets and slaughterhouses. The current system offers alternative reporting methods through: the freepost movement cards from the cattle passport; incorporating information received through the email system (which allows bulk notification of movements); or the CTS On-line web facility. These allow all keepers to fulfil their responsibilities, and requires each keeper to report one movement (markets make one report of a “through” movement). The European Commission has recently indicated that it does not consider that European law provides for markets to report all elements of a market transaction because of the specific obligation placed on the keeper to report all movements on to and off their holding. The Department and the devolved administrations of Scotland and Wales are currently considering the Commission’s view. Within the constraints of this legislation, though, it is still possible to report individual cattle movements by bulk reporting methods; this will be developed further within BCMS’s e-business take-up project, which should be implemented during 2005.

10. Current plans for the Livestock Register, are that all notifications could be made electronically including via telephony. This will include sheep, goats, pigs and deer, as well as cattle. A pilot study has also been set up at BCMS to investigate the use of Interactive Voice Response (IVR) for cattle passport applications and movement reporting, which we anticipate will complete in Spring 2005.

PAC conclusion (iii): Reducing error levels through greater use of more efficient notification methods could save around £15 million a year. Most anomalies and other errors arise in postal and email communications, with the lowest error rates occurring on web-based and electronic methods. The Department needs a strategy to increase the use of electronic notification whether via the Internet, or for example, touch tone telephone notification.

11. The Department accepts the conclusion that significant savings will result from more efficient notification methods and already has a strategy for increasing the use of electronic notifications.

12. This year, BCMS have met a target of 50 per cent electronic transactions to CTS including web, email and telephone services, and have set the more ambitious e-strategy target of 50 per cent validated electronic transactions using the CTS Online internet facility only by end December 2005. If achieved, this will reduce on-going running costs at BCMS by £0.76 million per annum for 2006-07, and by £2.7 million per annum by 2007-08, as a result of reduced data correction costs. It is also estimated that achievement of this target would result in staff savings of 100 BCMS staff by March 2006, and a further 44 staff by March 2009.

13. As part of the electronic transaction targets, the original CTS Standard System Interface (SIS) email communication route will be replaced by the CTS Online Internet route, through which data is validated before entry to CTS and “bounced back” to the keeper for correction. Work is already underway with representatives of farm software package suppliers to identify the most effective and efficient ways of enabling their products to interface with CTS Online instead of the SIS email, which most now use.

14. The development of the Animal Movements Licensing System (AMLS) includes plans for direct electronic entry of data through markets and slaughterhouses, with an estimated potential reduction in costs to the Department of £440,000 per year if 50 per cent of sheep and pig movements can be reported in this way. No formal targets have yet been set, but a successful pilot of direct electronic feed of data to AMLS of pig movements is encouraging.

PAC conclusion (iv): Both requirements and incentives may have a part to play in promoting the use of electronic notification. Larger farms, reporting the most transactions, are likely to have little difficulty in using electronic media, and might be required to do so from an early date. For others, the Department should consider the case for incentives and assistance to use electronic methods. Incentives might include greater access to data, the provision of reports and statements on-line, and a lower rate of any notification charge.

15. The Department fully recognises the need to promote and encourage the use of electronic means of notifications to computer databases wherever possible.

16. The Department's LIT Programme take-up strategy recognises it may be easier for larger farms to use electronic channels; and through liaison with the e-Government Unit we are closely monitoring developments by other Departments in this area to ensure we take advantage of opportunities. For example, Businesslink, an award winning website managed by the DTI to provide information, guidance and action support to all UK businesses, particularly small to medium sized enterprises. Defra's IT strategy has committed the Department to using Businesslink and Directgov, the e-Government Unit's citizen focused website wherever possible. The LIT programme is closely aligned to the Defra-wide strategy for a merger with this service, to ensure that our services are freely available to customers. Other means of electronic reporting e.g. via telephone services, are being investigated.

17. The Department's strategy includes investment in facilities for farmers and intermediates, user-friendly systems, and different approaches to channel access to enable farmers to use the electronic reporting channel of their choice (e.g. web, digital TV, Personal Digital Assistant (PDA) computer integrated telephony). All of this is in the context of increased access to broadband in local communities, e.g. initiatives by British Telecom to increase broadband coverage to 99 per cent of the country by the end of 2005, and public sector broadband aggregation.

18. The Department's experience in enforcing the reporting of livestock births, movements and deaths suggests that statutory enforcement of one notification method only is not viable. The Department's view is that incentives, education and encouragement are the most successful methods of increasing use of technology. One example of increased use of technology is the recent successful pilot trial of electronic data entry to AMLS undertaken by the Department and a major pig marketing group, Porcofram, working together (see PAC conclusion iii). As part of the Livestock Register design, the Department plans to include extra functionality, which on-line users will be able to benefit from, but which cannot be made available through telephony or paper methods.

19. Reminders on the availability of CTS Online are placed at the bottom of all standard letters issued by BCMS, and active "selling" of the service is standard procedure during telephone calls to and from keepers. BCMS staff provide regular presentations and "teach-in" sessions to help keepers use CTS Online.

PAC conclusion (v): Poor interfaces between the Cattle Tracing System and the Department's Common Agricultural Policy subsidy databases prevented full cross checking of farmers' claims. This situation has resulted in European Commission penalties of £14 million already, and the Department estimated that up to £50 million might be payable in total.

20. The Department accepts the conclusion that, for the Common Agriculture Policy (CAP) bovine subsidy scheme claims made in the year 2000 and 2001, deficiencies in the data on CTS contributed to the penalties imposed by the EU.

21. This resulted in a penalty of £14 million for the 2000 claims; penalties for 2001 remain under discussion with the Commission. Any disallowance penalty for CAP bovine subsidy incurred for claims submitted under the year 2002 scheme year and onwards will not be imposed as a result of any deficiency in interfaces or procedures between CTS and the bovine subsidy schemes, nor between BCMS and the paying agencies. The delays in making the 2002 bovine scheme payments can be attributed to the difficulties experienced in implementing new EU procedures for penalising producers who break subsidy scheme rules.

22. All bovine scheme payment targets for the 2003 scheme year have been achieved with 98.91 per cent of estimated expenditure (£363 million) paid by the Commission's deadline of 30 June 2004.

23. Bovine subsidies will cease to exist at the end of December 2004, when the UK will move to the Single Payment (SP) under the new regulations for CAP. Claims for the SP will be cross-checked against the relevant EU legislation, such as the Statutory Management Requirements element of cross compliance, which includes aspects of current cattle, sheep and goats legislation. In England the Department is currently working with the Rural Payments Agency and specialist Agencies to establish systems for successful payment of claims, inspections and, where necessary, enforcement.

PAC conclusion (vi): The Department and the Agency should benchmark the new Livestock Tracing system under development with those used by other Member States, so that it at least matches best practice elsewhere. The Department should learn from the weaknesses in its current systems, and experience elsewhere, in developing its replacement Livestock Identification and Tracing Programme. Particular areas that merit attention are the cost and error rates associated with eartags; the speed and cost of registering births and recording deaths; the extent to which industry can access centrally-held records; and best practice in data validation and movement notification.

24. The Department accepts this recommendation.

25. Work has already begun to review practices within the EU in the context of the Livestock Register Project and a series of investigative visits to other member states is planned. A Dutch consultant, who had worked with the Dutch government in setting up their livestock tracing systems, has recently completed a secondment to the Livestock Register Project Team.

26. Additionally, this year, the EU Commission is working with Member States on a benchmarking paper for cattle databases. It encourages all Member States to adopt the best practices identified by the Commission's inspectors during their missions. The paper should be published during 2004, and will be taken into account in developing the Livestock Register.

27. The Department believes that error rates associated with allowing older cattle to keep their original tags will be best addressed through using electronic means of registering calves and their dams. The automated dam validation checks, which have been on CTS since 2001, are among the list of "best practice" data plausibility checks in the Commission's benchmarking paper. The speed and cost of registering births and deaths for livestock is being addressed through the various electronic transaction initiatives already described.

28. For cattle, keepers have always been able to request paper copies of their holdings' records from CTS. In January and June 2004, all keepers have been issued with paper statements of their records (large businesses have been given their records in CD-Rom format). Further issues of CTS Statements are planned. The concept of giving access to centrally held records will be continued under the Livestock Register and will then be available for the other livestock species.

PAC conclusion (vii): The Department's new Livestock Register should be an important tool in controlling disease outbreaks. The Register is being developed through the Livestock Identification and Tracing Programme, and should be fully integrated with the computer systems used by the Department's State Veterinary Service.

29. The Department accepts this conclusion. The livestock register is one of three corporate data repositories being developed by the Department to cover land, livestock and customers. These linked registers will interface with other components to provide the functionality of existing stand-alone systems, including AMLS and CTS.

30. One of the fundamental reasons for creating the Livestock Register along with the customer and land registers is to support disease control more effectively. In recognition of the importance of this aspect, the State Veterinary Service (SVS) is represented on both the Livestock Register Project Board and LIT Programme Board, and thus have a key role in decision-making on the Livestock Register. Equally, the SVS is reviewing their IT strategy, and the Livestock Register Project team is in close contact with the SVS initiative. Department officials are members of the SVS Exotic Disease Control System Project Board.

31. There are plans for the SVS to become an Executive Agency (from April 2005), but there will continue to be joint working on IT developments.

32. The Department published its Animal Health & Welfare Strategy in June 2004. It provides a 10 year vision for animal health and welfare, setting out the roles and responsibilities of the key players, including livestock keepers, in improving further health and welfare standards in the livestock industry, whilst striking a balance between the costs and benefits of intervention.

PAC conclusion (viii): The exemption from reporting for movements between linked holdings should exclude sites, which are some distance apart. Movements between such artificially "linked holdings" could pose a significant risk to disease control, and the exemption should be limited to regular movements of cattle between nearby sites under the same management regime.

33. The Department accepts this recommendation.

34. The Department is continuing to work with BCMS and the Scottish and Welsh administrations to review the existing arrangements for linking separate farm holdings on CTS for exemption in reporting cattle movements. In particular, the review will be looking at the distance between linked premises and the need for reporting movements between epidemiologically distinct holdings. The Department aims to consult industry on any revised proposals by the end of 2004.

35. Additionally and in line with the reports recommendation, the Department will increase the reporting of movements that take place within a Single Occupancy Authority (SOA). A SOA allows owners or keepers to move stock between premises in the same sole occupancy, management and control, without triggering a movement standstill on premises listed on that Authority. From July 2005, the Department will require movements of sheep and goats within a SOA to be reported to AMLS. Cattle movements are already reported via CTS and pig movements within a registered pig pyramid (high health status pig premises which are approved by Defra to operate outwith the movement standstill provisions) are reported to AMLS.

PAC conclusion (ix): A minority of keepers persistently submit inaccurate and/or incomplete information. Enforcement is a matter for local authorities, and the Department still has only partial information on the sanctions imposed. The Department needs to improve this information and use it to develop a coherent range of penalties.

36. The Department accepts this recommendation.

37. The Department works closely with local authorities through the Local Authorities Co-ordinators of Regulatory Services (LACORS) at national level, and with individual local authorities at local level. A Framework Agreement between the Department, the Welsh Assembly Government and LACORS sets out the way in which enforcement of livestock movement and identification rules is to be targeted, and how risk is to be assessed. All operations by local authorities in this field are now to be reported on the Animal Health and Welfare Management and Enforcement System (AMES) database, together with the result of each enforcement action. The management information delivered by AMES will be reviewed in 2004-05 to ensure its continuing suitability.

38. The penalties for breaches of any secondary legislation for sheep and pigs made under the Animal Health Act 1981 are laid down in the Act itself. The Department believes that these are coherent, and will work with local authorities to improve coherence in the level of action taken by the different local authorities against those found to be in contravention of the rules.

39. Although the cattle identification regulations are made under the European Communities Act 1972, penalties for offences mirror those for other livestock, and are equally enforced by the Department through the BCMS and local authorities. As well as local authority inspections, an annual programme inspecting 10 per cent of registered cattle holdings is undertaken in England by the field inspectorate of the Rural Payments Agency on behalf of Defra. All Member States have to report the compliance results of their annual programmes to the EU Commission. Enforcement activity resulting from these inspections includes animal and herd restrictions, and compulsory slaughter of unidentified cattle, as well as potential investigation and prosecution through the Courts of deliberate negligence or fraud. Last year over 2 million cattle were inspected in GB.

40. The proposal for the Livestock Register is to include a function to highlight persistent offenders in order to generate educational and enforcement action more swiftly and coherently across the livestock species.

PAC conclusion (x): The Department's new systems should also benefit the industry in areas such as livestock management, breeding and supporting quality assurance. To maximise these benefits and win industry co-operation, the Department should work in active partnership with the industry on the design, management and operation of its new systems, rather than just consulting with the industry as a stakeholder.

41. The Department accepts this recommendation.

42. An industry representative (National Farmers Union) has been appointed to the LIT Programme Board and we propose that, subject to meeting any EU requirements for the "competent authority", industry representatives will be active partners in the governance of the new Livestock Register.

43. Industry stakeholder representatives are working with programme and projects' teams to develop improved processes. In particular, industry representatives are involved in identifying and mapping requirements for the Livestock Register.

PAC conclusion (xi): The Department should, with the industry, establish a clear plan for the recovery of costs of livestock identification and tracing systems for the future. Currently the taxpayer bears the cost of the Department's Livestock Tracking Systems. The most effective livestock tracking systems in other Member States are those which serve the needs of industry as well as meeting European Union requirements, with respective contributions to the costs of maintaining the system reflecting these wider uses. Greater sharing of costs might also encourage greater accuracy and completeness in the information submitted by keepers.

44. The Department supports the principle of this recommendation.

45. The Department is examining options towards a more appropriate balance, over time, between the taxpayer and industry for the costs of livestock traceability. The Department needs to establish and agree principles to ensure a consistent approach, and also needs to consider the economic impact on industry of any cost sharing and cost recovery proposals.

46. The Department has already developed a Handbook on charging principles, and we propose to consult on a range of charging issues in the autumn. In line with the Department's charging principles, no charge will be introduced without taking into account the economic impact on the industry.



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