

Summary Report on the Post Implementation
Review of the Cattle Compensation (England)
Order 2012 and the Individual Ascertainment of
Value (England) Order 2012

July 2017

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Introduction

1. A statutory review of the Cattle Compensation (England) Order 2012 (SI 2012 No.1379) and The Individual Ascertainment of Value (England) Order 2012 (SI 2012 No.1380) was carried out by Defra in 2016. This report summaries the purpose of the review and its key findings. The review has been assessed by the Regulatory Policy Committee as “fit for purpose” – that assessment is included as an attachment to this report.
2. The review has focused solely on compensation for bovine tuberculosis as this is the only disease the orders have been used to compensate farmers for to date.
3. We have taken a proportionate approach to the review in line with BEIS guidance. The Regulations are low impact and low risk but given the potentially sensitive nature of the subject (TB compensation) the review was handled as a medium impact measure.

Background

4. The Orders (which apply in England only) set out the requirements and methodology for determining the rates of compensation to be applied when we require the compulsory slaughter of an animal under section 32(1) of the Animal Health Act 1981 as applied to brucellosis, tuberculosis or enzootic bovine leukosis. SI 1380 sets out how compensation will be determined where little or no sales data could be collected to provide a reasonable average market price for the relevant cattle category.
5. In 2012, the previous 2006 Orders were revoked and remade to allow for the provision of a new table valuation category (splitting dairy calved animals for both pedigree and non-pedigree cattle). This change was made following analyses of concerns raised by industry representatives. The 2012 Orders also introduced a provision to make reduced cattle compensation payments where TB test deadlines are not met.
6. The key changes introduced in 2012 were intended to provide a compensation system that more effectively encouraged farmer compliance with key disease control measures thereby supporting the wider objective of TB Eradication in England.

Format of the review and key findings

7. An in-house review was carried out which included a desk review of previous thinking around the current compensation arrangements and analyses of evidence gathered since the legislation came into force. This evidence was then shared and discussed with stakeholders including regional TB Eradication Groups.

8. The attached PIR (Annex A) explains issues in detail but the key findings can be summarised as follows:

- There has been a much greater reduction in the number of overdue tests than the 20% reduction originally estimated in 2012. As of July 2016, there had been an 82% reduction in the number of overdue tests.
- The estimated reduction in compensation paid where tests are overdue is significantly less than originally anticipated due to the larger than expected fall in the number of overdue tests. Compensation payments have only fallen by around £8,000 per annum compared to the £700,000 pa estimated in the original IA.
- The splitting of the dairy calved compensation categories has been successful. Younger animals are now compensated at a higher rate than the pre-July 2012 average and older animals below the pre-July 2012 rate.
- The reduction in overdue herd tests is beneficial for industry as it means infected animals will be identified and removed in a timely manner thereby reducing the time they can spread disease within the herd or to other herds and wildlife.

Next steps

9. Based on the evidence collected, cost benefit analysis and stakeholder views, Defra's assessment is that both related Orders are still fit for purpose. As such, there are no proposed changes to statutory obligations for cattle farmers arising specifically out of this PIR. Any detailed suggestions made by stakeholders as part of the review will be incorporated when changes to the TB compensation policy are considered in the future.

Annex A: Post Implementation Review

Title: The Cattle Compensation (England) Order 2012; The Individual Ascertainment of Value (England) Order 2012 PIR No: RPC16-3589(1)-Defra Original IA/RPC No: RPC12-DEFRA-1245 Lead department or agency: Defra Other departments or agencies: Click here to enter text. Contact for enquiries: Carol Hawke (carol.hawke@defra.gsi.gov.uk)	Post Implementation Review	
	Date: 16/01/2017	
	Type of regulation: Domestic	
	Type of review: Statutory	
	Date measure came into force: 01/07/2012	
	Recommendation: Keep	
	RPC Opinion: Green	

1. What were the policy objectives of the measure?

These two 2012 related Orders replaced the earlier 2006 Orders that provide government compensation following the slaughter of cattle in England with certain zoonotic cattle diseases, but it has only been used to compensate farmers in respect of bovine Tuberculosis (TB). The objective of the replacement 2012 Orders was to: introduce reduced compensation where TB tests were overdue, clarify the wording on a small number of minor issues related to compensation, and better ensure compensation accurately reflected the value of certain animals by enhancing the table valuation categories.

2. What evidence has informed the PIR?

Each year sales data for some 1.4m animals is collected and used to determine table valuations i.e. average market prices for same category cattle. This is derived from a variety of markets including prime and rearing calf sales across Great Britain. Data on all compensation payments made since 2010 (~25,000 p.a.) has been used to evaluate the impact of the changes to compensation categories. For reduced compensation payments where tests are overdue analyses of the instances where compensation was reduced and at what level were carried out. Evidence gathered was then shared with regional TB Eradication Groups and other stakeholder groups to ensure we had not excluded any other evidence sources or misrepresented the evidence gathered.

3. To what extent have the policy objectives been achieved?

Since the beginning of 2012 just under £126m compensation has been paid to farmers' for 109k cattle compulsory slaughtered for bovine TB control purposes. The ability to impose penalties for overdue tests on compensation paid has been very successful. Total overdue tests dropped by more than 82% between July 2012 and July 2016 – the timely testing of cattle is a key TB control measure. The splitting of the dairy calved compensation categories (as industry requested) has also been successful, younger animals are now compensated at a higher rate than the pre-July 2012 average and older animals below the pre-July 2012 rate.

Sign-off for Post Implementation Review: Chief economist/Head of Analysis and Minister

I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.

Signed: [Click here to enter text.](#)
date.

Date: [Click here to enter a](#)

Further information sheet

Please provide additional evidence in subsequent sheets, as required.

4. What were the original assumptions?

Paying reduced compensation to those with overdue tests was expected to reduce the number of overdue (by more than 60 days) routine bovine TB herd tests by a one-off drop of 20%. The costs of administering an appeals process would roughly correlate to the number of reduced compensation payment appeals processed (it was assumed that 20% of reduced compensation payments would be appealed). For the splitting of the dairy calved category the 2012 IA estimated that the change would reduce total compensation payments by £728,000 due to lower compensation for dairy calved animals over 7 years old outweighing the higher compensation for animals younger than 7.

5. Were there any unintended consequences?

There have not been any identified unintended consequences.

6. Has the evidence identified any opportunities for reducing the burden on business?

No further opportunities have been identified. As the aim of reducing overdue testing was achieved to a much greater extent than originally expected, and the impact on business has been less than was originally expected, so the changes introduced by these Orders have imposed less than half of the burden estimated in 2012.

7. For EU measures, how does the UK's implementation compare with that in other EU member states in terms of costs to business?

N/A as this is a national scheme and only in Eire is there a comparable TB problem in cattle.

Review of Impact Assessment:

“Cattle Compensation: Bovine TB, Brucellosis, BSE and Enzootic Leukosis” (Defra IA No. 1424) Published 19/01/2012.

Summary:

The review assesses the annual impact of the 2012 related Orders to have been a £686,717 (2016 prices) transfer from farmers to DEFRA, under half of the £1,428,000 (2012 prices, £1.475m 2016 prices) estimated in the 2012 IA. A breakdown by section is below.

Policy	2012 IA Estimate (p.a.)	2016 PIR Assessment (p.a.)
Reduced compensation payments for overdue testing	£700,000	£8,350
Splitting the dairy calved category based on age	£728,000	£678,367
Administering a Bovine TB appeals process	£80,000	£0

The difference in impact is driven by a much greater reduction in the number of overdue tests than was expected in the 2012 IA, leading to fewer reduced compensation payments than envisaged. The policy achieved the primary goal of reducing overdue tests to a much greater degree than the 2012 IA predicted, resulting in relatively few penalties to compensation payments. The administering of an appeals process for Bovine TB was estimated to cost Defra £80,000 p.a. in 2012, but as of 2016 there has never been an appeal, so the cost has been £0. The impact of splitting the dairy calved category had a similar impact to that expected in the 2012 IA. The effect of minor unquantified changes which clarified some of the wording around table valuations and compensation were not quantified in the 2012 IA and have not been reviewed in this PIR.

Stakeholder Engagement: Discussions with stakeholder groups indicate that there is agreement that the policy objective of the 2012 Orders has been achieved. No suggestions for other ways of collecting the data to inform the level of compensation paid in England were received. And there was a general acceptance that the scheme offered a balanced value for money both to farmers who benefit from the scheme, and to the general taxpayer by ensuring proper and fair distribution of public funds to compensate farmers and reduce the administrative burdens where possible.

Summary of 2012 Impact Assessment

The 2012 Impact Assessment assessed the following policy option:

Option 1 - Replace the Cattle Compensation (England) Order 2006 (and related The Individual Ascertainment of Value (England) Order 2005), by including a) the provision for a scaled reduction to table value compensation payments (where TB tests are overdue), b) change the text from the original 2006 Order (which is being replaced) to remove ambiguities on how the system operates and c) table valuation category changes.

Table 1 (copied from 2012 IA) Quantified Costs and benefits of policy options

Table 1: Summary of quantified costs and benefits		
	Government	Business
Costs	Cost of administering a bovine TB compensation appeals process, borne by APHA. (£80k p.a.).	Reduced bovine TB compensation payments to livestock keepers (a transfer of resources to Defra): (£1.4m p.a.)
Benefits	Reduced bovine TB compensation payments to livestock keepers by Defra (a transfer of resources to Defra from the livestock industry) (£1.4m p.a.)	

The main impact (reduced bovine TB compensation payments to livestock keepers; £1.4m p.a.) is made up of two components:

- I. Reduced compensation rates to restricted herds that have an overdue test (£0.7m p.a.)
- II. Changes to compensation created by splitting the dairy “calved” category (£0.7m p.a. *This was assessed in the IA as £728k p.a. but rounded down for EANDCB purposes*)

These two components will be assessed separately in this PIR against the estimate provided in the 2012 Impact Assessment. The 2012 impact assessment did not quantify the benefit of clarifying various ambiguities on how the system operates and those will not be reviewed in this PIR.

A detailed review of the third component (the cost of administering a bovine TB compensation appeals process) is unnecessary. There has never been an appeal (due in part to the low number of reduced compensation claims) and there were no upfront costs, so the cost of administering appeals has been £0.

What have been the actual costs and benefits of the regulation and its effects on business?

I. Impact on overdue testing

The July 2012 regulations introduced reduced cattle compensation payments when reactors were found on farms with overdue TB tests. The 2012 Impact Assessment estimated that this policy would lead to a one off reduction in overdue tests of 20% in the first year and no further reductions over time. The 2012 IA estimated this would result in a cost to business (transfer to DEFRA) of £0.7m p.a. in the form of reduced compensation payments. This review will first look at the impact of the policy on overdue testing, and then on compensation payments.

Changes in overdue test numbers since 2012

Table 2 and **Table 3** present data on overdue tests between January 2012 and July 2016, categorised by the number of days overdue. The data is presented as a snapshot for January and July of each year, allowing trends to be observed over time. The **Annex** also contains a number of graphs that present the trends in overdue tests. The main findings are summarised below:

- The policy objective was achieved with far greater success than was expected in the 2012 IA (which assumed a one off 20% drop).
- Up to July 2016, there has been an **82%** (Table 3) cumulative reduction in the number of tests overdue by at least 1 day since compliance measures were implemented in July 2012. Similar reductions were reported across the compliance categories.
- In addition, in the 6 months leading to the policy taking effect (i.e. between January 2012 and July 2012) there was a **44%** (table 2) reduction in the number of tests overdue by at least 1 day.
- Within the compliance categories of interest, 180+ overdue tests fell by **75%** (Table 3) between July 2012 and July 2016. This was less than the fall in total tests meaning that 180+ day overdue tests as a proportion of tests overdue by at least 60 days rose from **11% to 15%** (Table 4) over the same period.
- In January 2014, **cross compliance** was introduced, where herds with an overdue test would have their single farm payments (part of CAP) reduced, as well as penalties on compensation payments for any reactors detected. The data shows the number of tests overdue continued to decline after January 2014, but it is not feasible to disaggregate the effect of either compliance measure on overdue testing.

Table 2: Trends in overdue testing since January 2012

Number of (herd) tests overdue in January and July (2012-July 2016) (by compliance category)						
Month	All	60+	0-59	60-89	90-179	180+
Jan 2012	1,724	623	1,101	180	273	170
Jul 2012	966	356	610	95	156	105
Jan 2013	907	193	714	70	59	64
Jul 2013	625	159	466	54	54	51
Jan 2014	447	115	332	30	34	51
Jul 2014	468	129	339	27	33	69
Jan 2015	420	98	322	27	24	47
Jul 2015	250	81	169	17	26	38
Jan 2016	208	61	147	20	14	27
Jul 2016	178	50	128	9	15	26

Table 3: Summary of percentage cumulative reduction up to July 2016 from dates show below:

Month	All	60+	0-59	60-89	90-179	180+
Jan-12	-90%	-92%	-88%	-95%	-95%	-85%
Jul-12	-82%	-86%	-79%	-91%	-90%	-75%
Jul-13	-72%	-69%	-73%	-83%	-72%	-49%
Jul-14	-62%	-61%	-62%	-67%	-55%	-62%
Jul-15	-29%	-38%	-24%	-47%	-42%	-32%

Table 4: Percentage proportion of all tests overdue by at least 1 day
(by compliance category)

Month End	0-59	60-89	90-179	180+
Jan-12	64%	10%	16%	10%
Jul-12	63%	10%	16%	11%
Jan-13	79%	8%	7%	7%
Jul-13	75%	9%	9%	8%
Jan-14	74%	7%	8%	11%
Jul-14	72%	6%	7%	15%
Jan-15	77%	6%	6%	11%
Jul-15	68%	7%	10%	15%
Jan-16	71%	10%	7%	13%
Jul-16	72%	5%	8%	15%

Impact of overdue testing penalties on compensation payments

In 2010, there were 343 overdue routine herd tests in England, which resulted in 1,490 TB reactors being detected. **Table 4** presents the latest data on overdue testing penalties since its introduction in July 2012. As shown, there have been 21 breakdown herds with overdue tests; the owners of the 81 reactors disclosed in these herds received £33k less in compensation as a result of the penalties. The average penalty over the period was

around £400. This represents a substantial reduction compared to 2010, and is reflected by the decrease in overdue testing overall.

Table 5: Compensation penalties for overdue testing since July 2012

Year	Number of <i>Breakdown</i> herds with overdue tests (1+ reactors)	Number of reactors	Compensation (£. 2016 prices)		
			Total market value of reactors (excluding penalties)	Compensation payable including penalties	Savings to Defra from reduced penalties
2012 ¹	2	2	3,102	855	2,246
2013	8	18	20,017	14,265	5,752
2014	6	40	40,028	28,528	11,501
2015	4	20	23,879	10,079	13,800
2016 ² (to date)	1	1	700	525	175
TOTAL	21	81	87,726	54,253	33,474

Notes: ¹since implementation in July 2012. ²latest data as of July 2016.

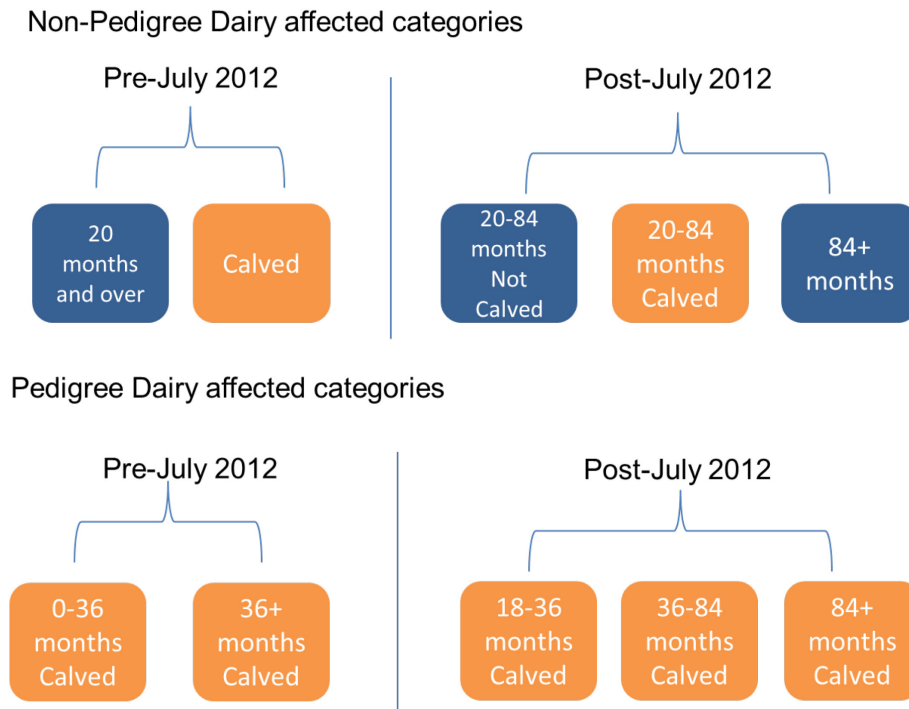
The original impact assessment IA estimated a benefit (i.e. transfer payment) of **£700k** per annum to Defra as a result of the changes to compensation. This is significantly greater than the accrued savings to Defra (£33k over four years, **~£8,350 p.a.**) so far. The 2012 IA assumed that there would be a 20% reduction in overdue tests in year 1 only, to 270 overdue tests. Evidence shows that there was in fact a 90% drop in overdue tests between January 2012 and July 2016.

There will also have been a significant unquantifiable indirect benefit to Defra and industry as a result of having less overdue herd tests. With many more tests being completed on time infected animals will be in herds for shorter periods. These infected animals will then have less time to spread disease within the herd and to other herds or wildlife.

II. Impact of splitting the Dairy Calved category

Method of evaluation

The 2012 regulations split the table valuation categories relating to dairy calved animals for both Non-Pedigree and Pedigree cattle to separately assess animals younger than 7 years and animals older than 7 years. This was a change requested by farmers who were concerned they were not getting fairly compensated for younger, more productive animals. The pre- July 2012 and post-July 2012 affected categories are presented in the graphic below. In both cases where there were two previous categories there are now three (which capture all animals in the previous two categories).



The aim is to evaluate the impact of the above changes in categories against the estimate in the 2012 IA. The 2012 IA expected compensation payments from DEFRA to farmers to fall as a result of these changes because while younger cattle would receive higher compensation, this would be more than offset by the lower compensation for older cattle. The reduction was estimated to be £700,000 p.a.

This can be evaluated by looking at the total compensation paid across the post 2012 categories for both Pedigree and non-Pedigree animals for 2012/13 to 2015/16 and comparing it against what would have been paid if the pre-2012 categories had been used to compensate the same animals (using compensation paid data from 2010/11 – 2011/12). The one year periods are from July to June (e.g. July 2012 – June 2013). **Figure 1** demonstrates this technique.

Figure 1: *Evaluating the impact of regulatory change.*

Evaluating the impact of splitting the dairy calved category in 2012

Average number of reactors compensated per year (July 2012 – June 2016) in affected categories	X	Post 2012 Average compensation per reactor	=	Actual compensation paid/year (2015 prices, weighted)
	X	Pre 2012 Average compensation per reactor	=	Potential compensation would have been paid/year if there was no change (2015 prices, weighted)

$$\text{Potential compensation} - \text{actual compensation} = \text{Impact of regulatory change}$$

In order to assess the impact of the category change without distortion from other variables the average compensation data for each year has been indexed to account for two factors. **Figure 2** is an example of this applied to one category in one year.

- To account for inflation the prices for each year will be rebased to FY15/16 prices.
- To account for changes in overall compensation payments since 2012 (driven by falling cattle prices) the values will be indexed to the average compensation paid across all categories for each year. This accounts for that if the pre-2012 categories had been used the payments would still have been lower due to falling average cattle prices (which table valuations for compensation are based on). The index data used can be found in **Annex 5**.

Figure 2: Example showing the indexing made to compensation prices to allow for comparable rates in affected categories.

<u>Commercial Dairy Calved category Compensation (July 2010 – June 2011)</u>	<u>Rebased to 2015/16 Prices</u>	<u>Indexed to average compensation</u>
£1,238	£1,324.55	£1,204
	$=£1,238 / 0.93497$	$=1324.55 / 1.10$
<i>This is the average (mean) compensation that was paid for cattle in the “Commercial Dairy Calved” category over the 12 month period.</i>	<i>The average compensation is rebased from 2010/11 prices to 2015/16 to account for inflation (so differences are not just an indicator of inflation).</i>	<i>The rebased value (in 15/16 prices) is indexed to the average compensation paid across all categories in 2015/16. In this instance it represents that average compensation was 10% higher in 2010/11 than 2015/16.</i>

Data Sources

Data containing details of every slaughtered reactor including the compensation paid is used in the EU Co-Financing Business Objects report held by APHA. From this data set six year-long reports were run from July – June starting July 2010 and ending June 2016 (reports were run by slaughter date). Unfortunately the reports do not contain details of which table category a reactor was placed in for compensation purposes, which is required for this analysis. However, individual reactors can be placed into the correct table category by matching the compensation paid to the table valuations for the month of their slaughter. This analysis was therefore able to use the historical table valuation figures to sort reactors into the compensation categories on a month by month basis.

This process created a data set listing the number of reactors slaughtered each month in each category and the compensation paid for that category in that month over a six year period.

The APHA data was also used to create the index of average cattle compensation (**Annex 5**) used to index the dairy calved compensation for each year.

The GDP deflators used were those from the June 2016 Quarterly National Accounts (**Annex 6**).

Evaluation Data

Table 6 presents the average compensation payments for the pre 2012 dairy calved categories (2010-2012) and the post 2012 categories (2012-2016), indexed to the change in average compensation across all categories, in FY15/16 prices. This data is averaged over the years to be used in table 7. **Table 7** shows the different annual compensation amounts that would have occurred under the two systems, using indexed, weighted prices and the impact of switching from the pre 2012 categories to the post 2012 categories.

The average number of reactors compensated per year in the affected dairy categories from July 2012 – June 2016 was **3913.25** for commercial cattle and **1929.5** for pedigree cattle

Annex 7 shows that, as expected the table valuations for younger dairy calved cattle have been consistently significantly higher than those for older dairy calved cattle. The stated policy objective in the 2012 IA was to more fairly compensate dairy calved cattle by age range, and the data shows there is a significant gap in the prices between the two categories

Table 6: Average compensation paid in affected categories per reactor (indexed to average compensation paid, FY15/16 prices)

		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Pre 2012 Categories	Pedigree	£1,316	£1,355				
	Commercial	£1,239	£1,218				
Post 2012 categories	Pedigree			£1,311	£1,323	£1,288	£1,161
	Commercial			£1,129	£1,136	£1,076	£937

Table 7: Calculations for evaluating the impact

Commercial	Average Compensation (weighted, 15/16 prices)	Total yearly compensation Avg. compensation x avg. reactors (2012-16)	
Pre 2012	£1,211	£4,738,231	Difference
Post 2012	£1,069	£4,184,498	£553,733
Pedigree	Average Compensation (weighted, 15/16 prices)	Total yearly compensation Avg. compensation x avg. reactors (2012-16)	
Pre 2012	£1,335	£2,576,658	Difference
Post 2012	£1,271	£2,452,025	£124,634
Total			
Difference	£678,367		

The evaluation shows that the change in the dairy calved categories resulted in Defra paying **£678,367** (2015/16 prices) less compensation than it would have done using the pre-2012 categories. The original 2012 IA estimated that the change would result in Defra paying £728,000 (2012 prices, £752,183 in 2015/16 prices) less compensation annually. This evaluation therefore finds the original estimate was around 10% higher than the evidence suggests.

The data analysis suggests that the category changes had a bigger proportionate impact on commercial cattle than pedigree cattle. Commercial cattle compensation payments would have been 13% higher under the pre-2012 categories while pedigree compensation payments would have been only 5% higher.

Annex: Graphs of interest

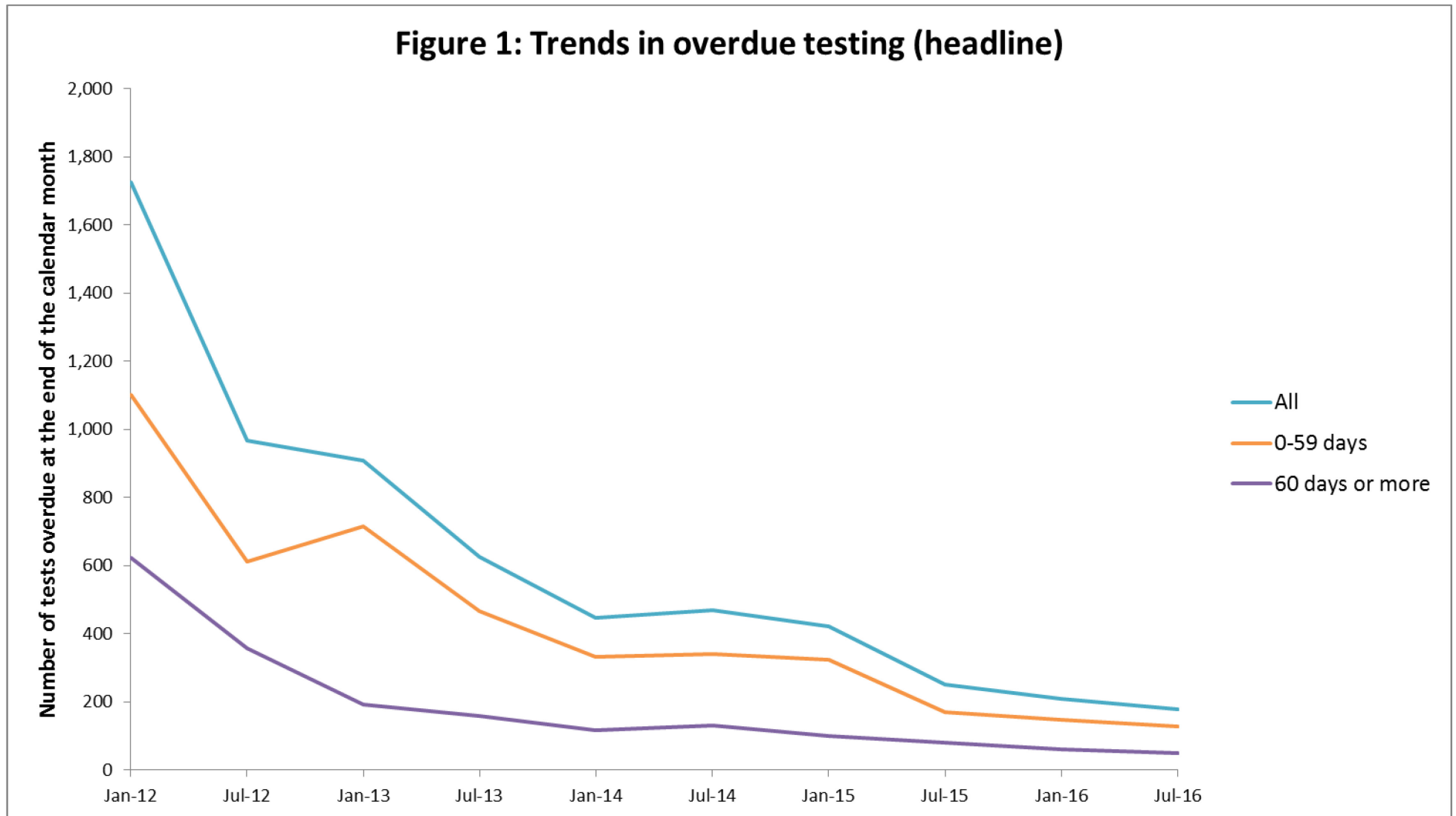
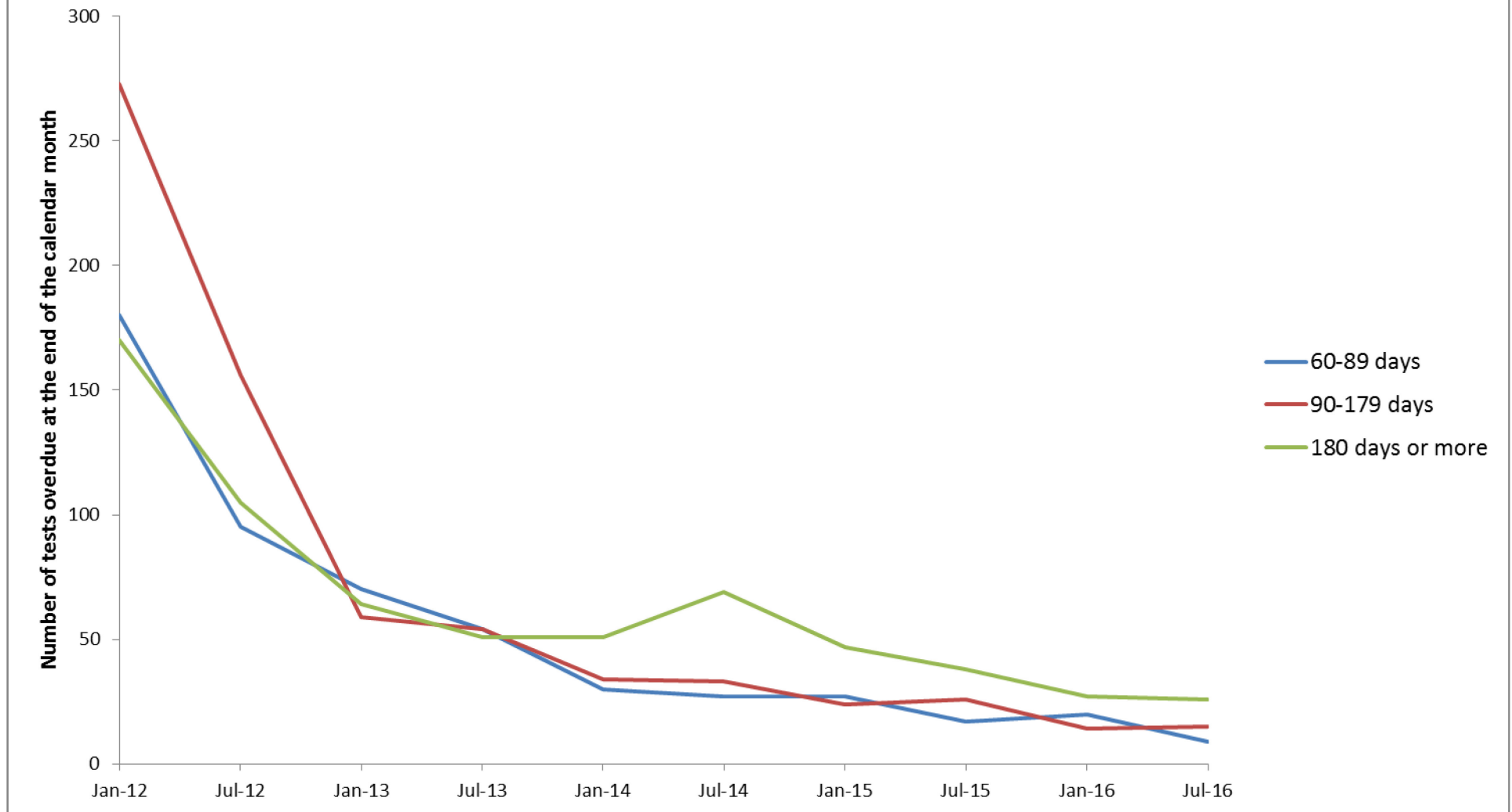


Figure 2: Trends in overdue testing (compliance categories)



**Figure 3: Indexed trends in overdue testing
(July 2012 = 100, all categories)**

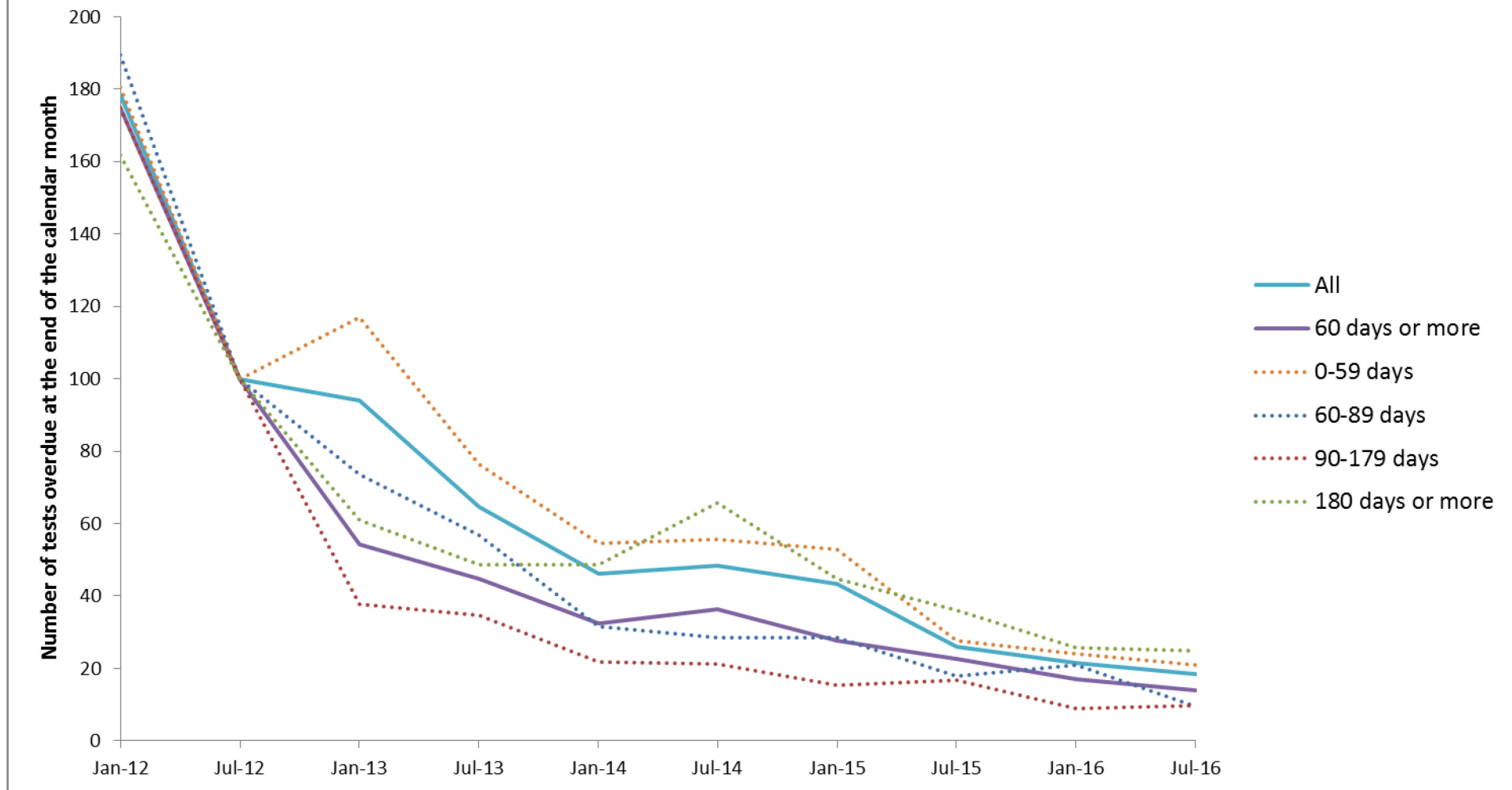
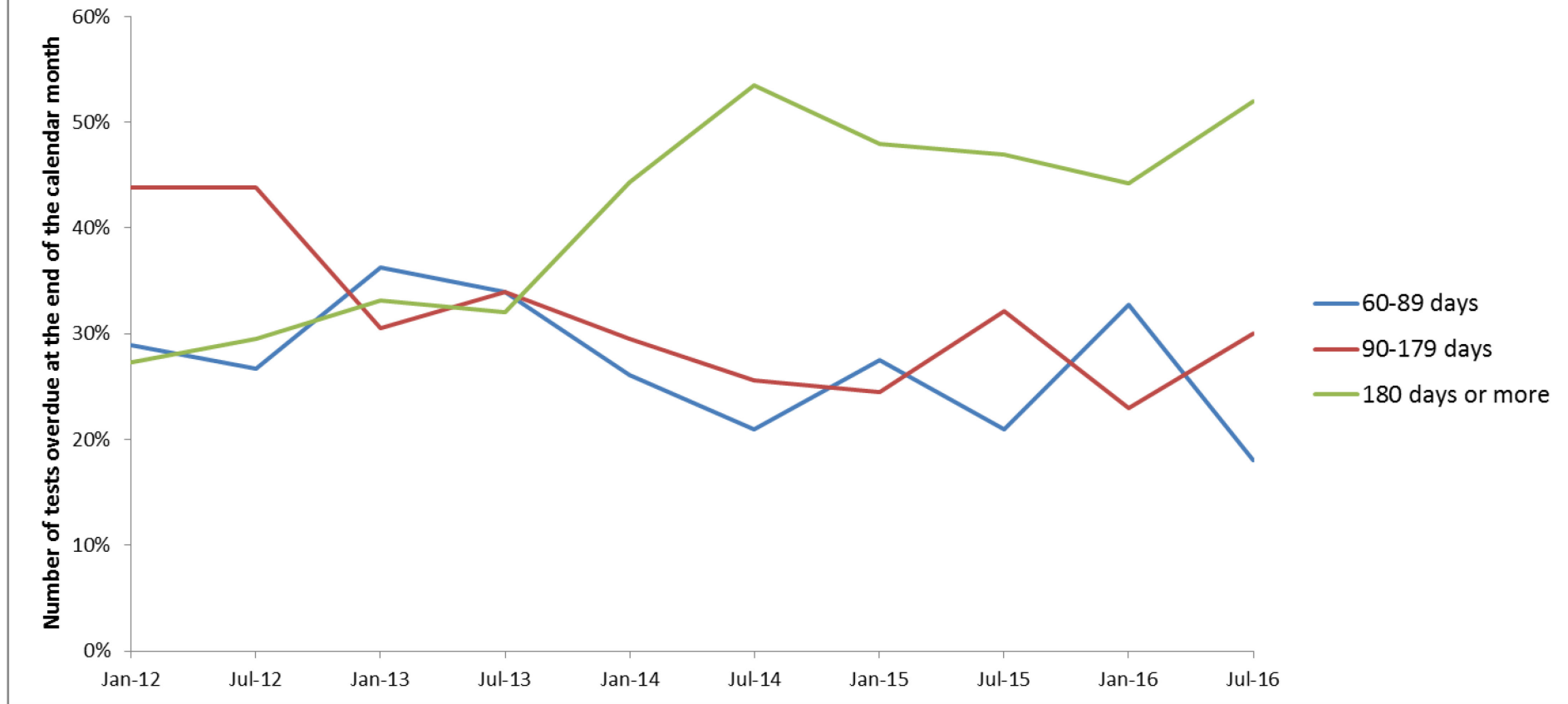


Figure 4: Compliance categories as a % proportion of tests that are at least 60 days overdue.



Annex 5: GDP Deflator Index (Source: [June 2016 Quarterly National Accounts](#))

	(2015/16 FY=100)	
2007-08	88.175	0.88175
2008-09	90.571	0.90571
2009-10	91.817	0.91817
2010-11	93.497	0.93497
2011-12	94.795	0.94795
2012-13	96.785	0.96785
2013-14	98.382	0.98382
2014-15	99.919	0.99919
2015-16	100	1

Annex 6: Average Annual Compensation paid in England index

Period (Jul-Jun)	Average compensation	Index (15/16=1)
2010-11	£1,084	1.10
2011-12	£1,227	1.25
2012-13	£1,169	1.19
2013-14	£1,179	1.20
2014-15	£1,078	1.09
2015-16	£985	1.00

Annex 7: Average Table Valuations in affected categories (indexed to average table valuations, 2015/16 prices)

Commercial Categories	2010/11	2011/12	Average Pre-July 2012	2012/13	2013/14	2014/15	2015/16	Average Post-July 2012
Calved	£1,204	£1,218	£1,211					
Calved over 20 months up to 84 months				£1,253	£1,258	£1,197	£1,047	£1,189
84 months and over				£764	£804	£724	£685	£744
Pedigree Categories	2010/11	2011/12	Average Pre-July 2012	2012/13	2013/14	2014/15	2015/16	Average Post-July 2012
Calved 36 months and over	£1,251	£1,193	£1,222					
Calved over 36 months up to 84 months				£1,320	£1,367	£1,338	£1,191	£1,304
Calved over 84 months				£867	£915	£863	£799	£861

**The Cattle Compensation (England) Order 2012;
The Individual Ascertainment of Value (England) Order
2012**

Department for Environment, Food & Rural Affairs RPC

rating: fit for purpose

Description of proposal

These two related Orders concern government compensation following the slaughter of cattle that have certain diseases (solely bovine tuberculosis (bTB) to date). The changes to the regulations:

- reduced the level of compensation paid where bTB tests were overdue in order to reduce the number of late tests;
- clarified the wording on a small number of minor issues; and
- ensured compensation more accurately reflected the value of certain animals by increasing the compensation paid for younger dairy calved animals and reducing it for older animals.

Impacts of proposal

Impact of reduced compensation where bTB tests were overdue

The original IA estimated that the measure would reduce the number of overdue routine bovine bTB tests by 20 per cent. The PIR shows that there has actually been a much greater reduction in the number of overdue tests. Up to July 2016, there has been an 82 per cent reduction in the number of tests overdue by at least one day, although this may be partly attributable to reductions in single farm payments¹ for herds where tests are overdue.

Since the beginning of 2012, just under £126 million in compensation has been paid to farmers in respect of bTB. The original IA estimated that the reduction in compensation paid where tests were overdue would reduce the amount of compensation paid by approximately £700,000 per annum. Due to the larger than expected fall in the number of overdue tests, the Department now estimates that compensation payments have fallen by only around £8,000 per annum.

¹ Under the EU Common Agricultural Policy

The impact of increasing compensation for younger dairy calved animals and the reduction of compensation for older animals.

The original analysis estimated that changes to the levels of compensation for dairy calved animals would reduce total compensation paid by £728,000 (2016 prices) per annum, as higher compensation paid for younger animals is outweighed by lower compensation paid for older animals. The PIR now estimates that the reduction in the amount of compensation paid was £678,000, which is around ten per cent lower than originally estimated.

Other impacts

The original IA estimated that administering an appeals process for bovine bTB would cost DEFRA £80,000 per annum. In practice, as of 2016, due in part to the low number of reduced compensation claims, there has never been an appeal, so the cost has been £0.

The PIR also sets out that there will have been a significant unquantifiable indirect benefit to DEFRA and industry as a result of having fewer overdue herd tests. This should have led to a reduction in the time that infected animals spend in herds, potentially reducing the opportunity to spread disease.

Overall, the Department estimates that there has been a £687,000 (2016 prices) transfer from farmers to DEFRA, compared to £1,428,000 estimated in the 2012 IA.

The PIR states that the original policy objectives have been achieved. There has been a large drop in the number of overdue bovine bTB tests and the changes to compensation have resulted in fairer levels of compensation being paid. The PIR states that stakeholders agree that the policy objectives have been achieved, and that the compensation scheme has offered a balance between delivering value for money both for farmers and the taxpayer.

Quality of submission

Overall, the Department has presented a good PIR with an appropriate level of analysis to demonstrate the achievement of (and indeed exceeding) the policy objectives, and to support its decision to retain the regulations. It has thoroughly evaluated the degree to which the policy objectives have been achieved and has fully assessed the costs and benefits, setting out how the impacts have differed from those estimated in the original IA.

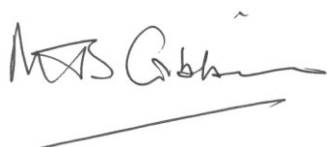
The PIR would have benefitted further from an analysis of the impact of the measure on infection rates, which was the fundamental context for the policy of reducing the

number of overdue tests. We also note that there was a reference to Ireland having a similar bTB problem, but there was no comparative policy discussion.

Departmental recommendation	Retain
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RPC assessment

Is the evidence in the PIR sufficiently robust to support the departmental recommendation?	Yes
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Michael Gibbons CBE, Chairman



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