Title: Compensation for Tuberculosis (TB) in non-bovines **IA No:** Defra2077 **RPC Reference No: RPC-3670(1)-DEFRA** **Lead department or agency:** Department for Environment, Food and Rural Affairs **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** December 2017 **Stage:** Validation **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contact for enquiries:** Stephen.Cane@defra.gsi.gov.uk

Summary: Intervention and Options

RPC Opinion: GREEN

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**
£0m	£0.16m	£0m	In scope	Qualifying provision

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

The non-bovine species addressed in this document can become infected with and spread bovine TB, although it is much rarer in these species than in cattle. Whenever a farmed non-bovine animal is slaughtered as a result of TB compensation is paid but currently there is not a well-defined, coherent set of compensation arrangements. We need a clear and consistent system in place to deal with TB in non-bovines that is fit for purpose.

What are the policy objectives and the intended effects?

In proposing changes to TB controls for non-bovine animals our aim is to strike a balance between robust disease control and supporting sustainable businesses. For the purposes of this legislation, non-bovine animal species are the following: pigs, sheep, goats, captive deer and South American camelids. The current legislation for TB in non-bovine animals is disparate and unclear to many of those who are required to act in accordance with it. The measure set out in this document focuses on changes to compensation to bring all GB administrations into line and will form a more coherent, proportionate and transparent compensation regime.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

For the proposal to introduce a new compensation scheme for all non-bovines slaughtered for TB control purposes, we considered a table compensation scheme that would pay 50% of a proxy market value in a number of categories. However, following the consultation responses received we have instead chosen to mirror the Scottish table valuations. This option represents an increase in the level of compensation and was broadly supported by consultation responses.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** *December/2022*

Does implementation go beyond minimum EU requirements?		N/A		
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)		**Traded:**	**Non-traded:**	

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: Thérèse Coffey Date: 11/12/2017

Summary: Analysis & Evidence

Policy Option 1

Description: Clarify existing regulatory regime and introduce fixed table valuations for non-bovine species.

FULL ECONOMIC ASSESSMENT

Price Base Year 2017	PV Base Year	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate: £0m**

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			£0.018	**£0.16m**

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

The new compensation categories raise the compensation farmers will receive for almost every category of animal, with the exception of hind deer. Under the new rates for hind deer compensation changes from 50% market value with a cap of £600 to a flat £400 compensation, which will represent a benefit in the majority of cases. It is however possible for this to be a cost in individual extreme cases. **The increase in compensation payments will be a transfer from government to farmers of £18,135**.

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

There will be some one-off familiarisation costs to farmers with the updated regulations around TB compensation for non-bovines, but these will be offset by the new rules being simpler than the ones they are replacing. In addition, the number of businesses that will be affected by these regulations is estimated at being only 82 a year (0.16% of non-bovine holdings). For these reasons, we expect familiarisation and ongoing additional compliance costs to be negligible to the industry.

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			£0.018	**£0.16m**

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

The new compensation categories result in equal or higher compensation being paid to farmers for all categories (except hind deer in some cases). The quantified benefit to farmers of camelids is estimated to be up to £60,450 (with £18,135 being a best estimate based on veterinary advice) and to deer farmers is a maximum of £8,100 (but with higher uncertainty so this assumes £0).

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

The changes in compensation to pig, sheep and goats represent increases to farmers, but the benefits are hard to quantify and will be small given only around 60 reactors are compensated a year for these species. This is because under the previous system compensation payments were based on individual valuations on each animal, so it is not possible to identify how large the increase will be per animal.

Key assumptions/sensitivities/risks — **Discount rate** 3.5%

For the purpose of quantifying the benefits to camelid farmers we assumed 30% of compensated camelids would be breeding stock, based on Defra veterinary advice.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: £0	**Benefits:** £0.018	**Net:** £0.018	£0m

Supporting evidence

1. The policy issue and rationale for Government intervention based on veterinary advice.

Bovine TB is the most pressing and costly animal health problem in the UK[1]. The disease threatens our cattle industry and presents a risk to other livestock, as well as wildlife species (mainly badgers), pets and humans. In 2014/15, TB controls cost around £92 million for Defra[2]. In 2015, the number of cattle tests for TB in England was around 7.3 million, leading to the detection of 4,000 new herd TB incidents. This resulted in 2,900 herds being put under restrictions and 28,000 animals slaughtered[3]. While the disease primarily affects cattle, it can affect and be spread by other species.

The non-bovine species addressed in this document can become infected and spread TB, although it is much rarer in these species than in cattle. Whenever a farmed non-bovine animal is slaughtered as a result of TB compensation is paid but currently there is not a well-defined, coherent set of compensation arrangements. We need a clear and consistent system in place to deal with TB in non-bovines that is fit for purpose and easy for farmers to understand.

2. Policy options considered, including alternatives to regulation

For the proposal to introduce a new compensation scheme for all non-bovines slaughtered for TB control purposes, we considered a table compensation scheme that would pay 50% of a proxy market value in a number of categories. However, following the consultation responses received we have instead chosen to mirror the Scottish table valuations. This option represents an increase in the level of compensation and was broadly supported by consultation responses.

3. Policy objectives and intended effects

In For the purposes of this legislation, non-bovine animal species are the following:

- Pigs
- Sheep
- Goats
- Deer (farmed and other captive deer)
- South American Camelids.

Compensation for compulsorily slaughtered non–bovine animals
Current System: Compensation is currently paid whenever any non-bovine is slaughtered as a result of TB. However, the way compensation is calculated varies across non-bovines (as shown in **Table 3**).
Policy Changes: To replace the confusing and disparate current system with specific rates of compensation for all non-bovine species, including changes to the current rates of compensation for deer and camelids. As well as simplifying the compensation scheme these changes will result in more compensation being paid to farmers and, therefore, a greater incentive for owners to report suspicion of disease at an earlier stage, which will help to limit spread of infection thereafter.

The changes to the compensation values are intended to replace a two tier system where:

[1] Defra, The Strategy for achieving Officially Bovine Tuberculosis Free status for England (April 2014)

[2] Defra, Annual Report and Accounts for 2014-15.

[3] Defra, Latest statistics on tuberculosis (TB) in cattle in Great Britain

- **Pigs**, **sheep** and **goats** are individually valued at the point of slaughter at their intrinsic value (e.g. given that the animal is infected with TB) – this can be a burdensome and protracted process for both government and farmers.
- **Deer** and **camelids** are valued at a flat rate with no differentiation to reflect the diversity of the relevant business sectors.

The proposed changes would introduce a number of pre-defined compensation categories and values for the non-bovine species concerned to better reflect the structure of the industries and livestock types – differentiating between animal types (e.g. breeding, working and age ranges), the market values of which can be very different. It would also simplify the process of valuing animals and paying compensation.

Following consultation with the industry, compensation will be paid according to fixed table valuations graded by species and category of species. This will be in line with the Scottish and Welsh approach to non-bovine compensation.

The values used will be the same as those implemented by Scotland in 2015, for which a Business Regulatory Impact Assessment[4] was completed by the Scottish Government. The values have been reviewed by Scotland's Rural College (SRUC) and judged as fair and reasonable. The impact of the values on TB control in Scotland is difficult to judge given the very low number of cases there.

The table compensation values will be more beneficial than the current rates for all farmers of pigs, sheep and goats. The values will also be a benefit to the majority of deer and camelid farmers. In some circumstances it is possible for the compensation for hinds to be lower using the new table valuations (See **Table 3** for table valuations).

4. Expected level of business impact

Summary

The changes in compensation arrangements are expected to be beneficial to farm keepers of all animals as the compensation values for all animals (except hind deer in some circumstances) are equal to or higher than the existing compensation rates.

Number of businesses and animals affected

There are an estimated 48,500 premises holding non-bovine species. The vast majority of these will be completely unaffected by these changes, as they will only affect farms where TB is suspected or confirmed. Between 2012 and 2016 there were on average 82 farms under restriction at the end of each year (0.17% of all non-bovine holdings). In contrast, 6.1% of cattle herds were still under restriction due to a TB incident[5]. This demonstrates that the associated disease risk with these species does not warrant the introduction of potentially burdensome and expensive TB controls seen in bovine species (i.e. cattle).

[4] http://www.gov.scot/Resource/0048/00487006.pdf

[5] Defra, Latest statistics on tuberculosis (TB) in cattle in Great Britain. Estimated by dividing the total number of herds not officially TB free at the end of 2015 (3,127) by the total number of cattle herds (51,232).

Table 1: Number of animals and holdings data for non-bovine species

Species Type	Number of holdings[(a)]	Number of animals	Average herd size per business
Sheep/lambs	36,850	15,388,984	418
Pigs	8,166	3,953,654	484
Goats	2,906	81,678	28
Deer	257	21,341	83
S A Camelids	250-300	10,000[(b)]	33-40
TOTAL *(rounded)*	48,500	19,500,000	n/a

Data sources: Published Defra data on the structure of the agricultural industry in England and the UK at June (by farm type and size) for sheep/lambs and pigs, and the Camelid Statutory Compensation Scheme Validation Impact Assessment for goats, deer and S A Camelids.
Notes: all data is from 2014 and is unrounded. [(a)]some holdings will keep more than one type of non-bovine species. [(b)]The total camelid population is between 28 and 34 thousand, and those not owned by businesses are kept as pets or ornamental animals.

Table 2: Headline TB in non-bovines statistics across England (Average 2012-2016)

Species	Number of premises: *(i) placed under movement restrictions during the calendar year*	Number of premises: *(ii) under movement restrictions at the end of the reporting period*	Number of animal tests[1]	Number of animals removed as TB test reactors[2]
S A Camelids	33.6	30.2	1662	80.6
Sheep	1.4	1	2167.4	6
Goats	10.8	14	468.2	34
Pigs	19.4	18	106.8	10.6
Deer	3	9.8	227.8	9
Other	1.6	9	63	0
Total	69.8	82	4695.2	140.2

Data Source: Bovine TB in non-bovine species - Combined 2012 > 2016
Notes: [1] includes skin and blood tests. [2] A reactor is an animal that fails a TB test.

Impacts on affected business

We propose introducing specific rates of compensation for all non-bovine species, including changes to the current rates of compensation for deer and camelids. **Table 3** presents a summary of the current and proposed changes to compensation for each non-bovine species.

Table 3: Current and proposed compensation arrangements by species

Species Type	Current arrangements[1]	Proposed Compensation Rates
Sheep/lambs	Rates vary. TB infected animals are individually valued at the point of slaughter for their "intrinsic value" in line with The Diseases of Animals (Ascertainment of Compensation) Order 1959. These payments would be below the proposed rates which are based on healthy animal prices.	Lamb aged up to 1 year old: **£80** Breeding ewe over 1 year old: **£130** Breeding ram over 1 year old: **£350**
Pigs		Breeding female (Gilt or Sow): **£250** Breeding male: **£350** Suckler (weighing under 25kg): **£30** Weaner (weighing from 25kg to 35kg): **£40** Grower or Finisher (weighing over 35kg): **£90**
Goats		1 year old or younger: **£80** Non-breeding, over 1 year old: **£160** Breeding female, over 1 year old: **£250** Stud male, over 1 year old: **£350**
Deer	50% of market value up to a maximum of £600 per animal.	Working stag: **£1500** Hind and young stock: **£400**
S A Camelids *(Alpacas and Llamas)*	£750 flat rate per animal	Stud male, over 18 months old: **£1500** Breeding female, over 18 months old: **£1500** Non-breeding, over 18 months old: **£750** 18 months old or younger: **£750**

Notes: [1] please see How to deal with TB in non-bovine animals for further information.
The proposed compensation rates were attached to Defra's Summary of Consultation Responses in Annex B and can also be found in the Scottish Business Regulatory Impact Assessment.

For keepers of **camelids**, the current arrangement is that a flat fee of £750 is paid in compensation regardless of type. Under the proposals, the new table valuations represent:

- A benefit to keepers of stud males and breeding females over 18 months old, as compensation payments increase by an additional £750 per animal slaughtered to £1500.
- Neither a benefit nor a cost to keepers of other camelids as the compensation will remain the same at £750 per animal.

If we assume that all camelids that are slaughtered (i.e. removed as TB test reactors[6]) are non-breeding animals then in the worst case scenario there would be no change to farmers' compensation. In the best case, if all camelids were breeding males and females, then the on-going benefit would be around £60,450 per year (based on average reactors over the last 5 years)[7]. Based on Defra veterinary advice an estimated 30% of S A Camelid stock are breeding stock, so the ongoing benefit would be around **£18,135 p.a.** to farmers as a result of these changes.

For keepers of **deer**, the current arrangements are that for each TB infected animal slaughtered, keepers receive 50% of their market value up to a maximum of £600. Under the proposals, the new table valuations represent:

- A benefit to keepers of working stags, as compensation payments would increase by a minimum of £900.
- A potential cost to keepers of hinds, as compensation payments could decrease by up to £200 (but it would be rare for a hind to reach the maximum compensation of £600).

Both statements assumed the maximum value per animal (£600) could be claimed as mandated under existing arrangements. In any case, we estimate that the ongoing additional benefit or

[6] A reactor is an animal that fails a TB test.

[7] 80.6 TB reactors multiplied by a gain of £750 per animal slaughtered.

costs to deer keepers to be very low due to the small amount of TB reactors slaughtered each year (an average of 9 a year). In the worst case scenario, if all the deer that were slaughtered were hinds, then the maximum ongoing cost to farmers would be around £1,800 p.a. per year[8]. In the best case scenario the benefit would be around £8,100 p.a.

Finally, for keepers of **pigs, sheep and goats**, the new pre-defined table valuations represent an increase in the current levels of compensation they would be entitled to if TB was detected in their herd. This is because under the current arrangements, any TB infected animals are individually valued at the point of slaughter for their *intrinsic value*. This is in line with The Diseases of Animals (Ascertainment of Compensation) Order 1959, and the outgoing process places a burden on farmers and government. Under the new table valuations animals will be compensated as if they were healthy. On average in 2012-2016 fifty reactors were removed per year between pigs, sheep and goats. It is difficult to quantify the benefit to farmers of these changes since animals were individually compensated previously. We can say that there will be a benefit to farmers of these animals as the new compensation values will be higher than those that they previously would have received.

Summary of overall impacts

- **Deer,** farmers will benefit between -£1,800 and +£8,100, but due to the very low number of reactors a year (average of 9 a year 2012 – 2016) it is difficult to provide an accurate estimate.
- **Pigs**, **sheep** and **goats**, the changes represent an increase in the compensation paid because the table valuations are based on the price of healthy animals, while previous individual valuations are based on the price of diseased animals. Due to no standard compensation rate under the outgoing system it is hard to quantify the benefit but we would expect it to be modest given the 50 reactors a year across all three categories.
- **Camelids**, farmers will see a direct increase in their compensation for any breeding stock and no change in compensation rates for non-breeding stock. This will lead to an estimated maximum benefit to farmers of up to £60,450 a year. Assuming 30% of reactors are breeding stock the benefit would be around £18,135 a year.

BIT Status/Score and Rationale for Fast Track

The quantified non-zero impacts in this VIA from associated powers are:

Compensation for compulsorily slaughtered non–bovine animals:

- A benefit to Camelid farmers of up to £60,450 p.a. due to higher compensation payments. The actual benefit is estimated to be around **£18,135** p.a.
- A benefit to deer farmers of between -£1,800 and +£8,100 due to new compensation payments. So few deer are compensated a year that it is hard to estimate what the exact impact will be so we have assumed it will be neutral for EADNCB terms.

The total benefit to business of these changes is therefore estimated at **£18,135** p.a. In EANDCB terms (using the Impact Assessment Calculator tool) over a ten year appraisal period this is rounded to £0. The same tool produces a business NPV of £0.16m.

This is qualifying regulatory measure (QRP) under the Business Impact Target. The measure qualifies for the Fast Track as low cost regulation as the costs are under £1m in all years (the policy is actually a benefit to business). The EADNCB has been rounded down to £0 (because EANDCB is rounded to the nearest £100,000).

[8] 9 TB reactors multiplied by a "maximum loss" of £200 per animal. The "maximum loss" per animal is calculating by subtracting the new compensation rate (£400) from the maximum value that can be claimed under the current regime per animal (£600).