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## **Audit Committee Report 'Compensating Farmers for Bovine Tuberculosis in Wales'**

On 5 February 2004, the Audit Committee published its report on Compensating Farmers for Bovine Tuberculosis in Wales (Committee Report (2) 01-04). In responding, the Welsh Assembly Government agreed, under recommendation viii, to report back on the outcome of the process of rationalising compensation arrangements across the range of notifiable diseases.

The initial joint GB consultation on proposals to rationalise compensation proposed a two-stage approach. Stage one covered a scheme for animals affected by four diseases, Bovine TB, Enzootic Bovine Leukosis, Brucellosis and BSE using table categories for the majority of cattle, with the option of pre-valuations for high value animals to be paid for by the livestock owner. Under stage two, it was proposed that rationalisation would be extended to cover all notifiable animal diseases.

A further consultation on stage one of these proposals is about to be launched by the Assembly Government and will close on 31 December 2004. Defra and the Scottish Executive are carrying out similar consultations in England and Scotland respectively. This further consultation is necessary because, in the light of the responses to the earlier exercise, it has been necessary to consider additional changes for a couple of reasons. First, the responses indicated difficulties in introducing a workable pre-valuation system which was confirmed by further exploratory work undertaken by Defra. It is anticipated that an advisory Stakeholder Group will help in taking this forward. Second, the original consultation set out 10 cattle categories for compensation purposes. Respondents pointed out the need to separate beef and dairy cattle and pedigree and non-pedigree animals. The result has been a proposal to

increase the cattle categories from 10 to 29.

The aim is to introduce a table valuation system in early 2005. Two new cattle compensation Orders will, therefore, be introduced for Assembly scrutiny in the New Year. It is anticipated that in relation to Bovine TB, table valuations will result in budgetary savings. It is difficult to estimate with any precision the likely reduction in the overall compensation budget. However, officials will continue to monitor the situation closely to assess the impact of the introduction of the new valuation system. In addition, there will inevitably be further savings because the new system will not require valuations.

In line with the Animal Health and Welfare Strategy, the Assembly Government will pursue the longer-term objective of rationalising compensation payments for all notifiable diseases. A partnership approach will be adopted to take account of industry expertise and experience. The further consultation paper on the stage one proposals seeks comments on a GB advisory group that could, for example, advise Government on the longer-term objective of rationalising all compensation for notifiable diseases.

It was suggested that this letter might also usefully update the response to recommendation vii of the Audit Committee report where the Assembly Government reported that it was still considering whether to introduce thresholds above which valuers are required to provide more justification. As previously explained in the Government's response, a system had already been introduced to query 10 percent of all valuations with in-depth follow up, as necessary, as well as querying any overtly high valuations. The current system of querying 10 percent of valuations and any high valuations allows for flexibility and judgement in querying individual cases. There is a danger with thresholds that the possible over-valuation of poorer quality stock would be missed. Therefore, in the light of experience, it has been concluded that there is little to be gained by the introduction of thresholds. Regardless, the introduction of table valuations will obviate the need for such monitoring.

It was also suggested that I should provide information about trends in valuation levels since the various controls were introduced and, specifically, whether these are now more in line with market prices. Unfortunately, and despite some considerable efforts, the variability of the data collected on monthly compensation values is such that it is not possible to draw any meaningful conclusions on trends. Arrangements were made in January this year for the State Veterinary Service to collect additional information but because of the need to do this on a GB wide basis, it is taking longer than anticipated. If the current control system was to remain in place then it would be imperative that data is collected to enable us to monitor trends. Whilst there is a perception from the field that the controls are exerting some downward pressure on valuations, particularly in South East Wales, in view of the proposed introduction of a table valuation system early in 2005, there seems little point now in investing considerable time and resources in the collection and analysis of such data.

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