



House of Commons  
Committee of Public Accounts

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# Identifying and tracking livestock in England

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**Twenty-seventh Report of  
Session 2003–04**

*Report, together with formal minutes,  
oral and written evidence*

*Ordered by The House of Commons  
to be printed 17 May 2004*

**HC 326**  
Published on 6 July 2004  
by authority of the House of Commons  
London: The Stationery Office Limited  
£11.00

## The Committee of Public Accounts

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The following were also members of the Committee during the period of this inquiry.

Mrs Cheryl Gillan MP (*Conservative, Chesham and Amersham*)  
Mr George Osborne MP (*Conservative, Tatton*)

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Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [http://www.parliament.uk/parliamentary\\_committees/committee\\_of\\_public\\_accounts.cfm](http://www.parliament.uk/parliamentary_committees/committee_of_public_accounts.cfm). A list of Reports of the Committee in the present Session is at the back of this volume.

### Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Leslie Young (Committee Assistant), and Ronnie Jefferson (Secretary).

### Contacts

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# Contents

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<b>Report</b>	<i>Page</i>
<b>Summary</b>	<b>3</b>
Introduction	3
<b>Conclusions and recommendations</b>	<b>4</b>
<b>1 Weaknesses in systems</b>	<b>7</b>
<b>2 Efficacy in disease control</b>	<b>11</b>
<b>3 Electronic notification</b>	<b>13</b>
<b>4 Sharing the benefits and costs</b>	<b>15</b>
<b>Formal minutes</b>	<b>17</b>
<b>Witnesses</b>	<b>18</b>
<b>List of written evidence</b>	<b>18</b>
<b>List of Reports from the Committee of Public Accounts Session 2003–04</b>	<b>19</b>



# Summary

## Introduction

In England, the government spends £30 million each year on livestock identification and tracking. The main bodies involved are the Department for Environment, Food and Rural Affairs (the Department), responsible for policy, and the Department's British Cattle Movement Service (the Service), which since April 2003 has been part of the Rural Payments Agency (the Agency). Computer systems (see **Figure 1**) track individual cattle genealogy and movements (the Cattle Tracing System) and movements of batches of cattle, sheep and pigs (the Animal Movements Licensing System). The Department's State Veterinary Service uses separate computer systems for animal health and disease control. The Department plans more integrated and effective systems through the phased introduction of a £136 million Livestock Identification and Tracing Programme.

**Figure 1: Current livestock identification and tracking systems**

Differences between the species have led to the development of two main systems of livestock identification and tracking in England:

- All **cattle** must be individually identified and 'keepers' (owners and others responsible for livestock) must report each animal's birth, movements and death to the **British Cattle Movement Service** for recording on the **Cattle Tracing System**, a computer system covering the whole of Great Britain. The Service also issues 'passports' for each animal.
- **Sheep** born from 2003 must be individually identified but **pigs** need not. Most sheep and pig movements must be reported to **local authorities** for recording on **the Animal Movements Licensing System**, a computer system covering England and Wales set up and run by the Department after the 2001 outbreak of foot and mouth disease.

On the basis of a Report by the Comptroller and Auditor General,<sup>1</sup> we examined the Department on the progress made in implementing livestock identification and tracking in England to meet domestic and European Union requirements to safeguard human and animal health, assist in control of farming subsidies and improve the industry's commercial performance.

1 C&AG's Report, *Identifying and Tracking Livestock in England* (HC 1144, Session 2002-03)

## Conclusions and recommendations

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- 1. 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.
- 2. 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.
- 3. 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.
- 4. 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.
- 5. 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.
- 6. 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.

7. **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.
8. **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.
9. **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.
10. **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.
11. **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.





# 1 Weaknesses in systems

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1. Both the Cattle Tracing System and the Animal Movements Licensing System were developed and introduced in response to serious disease outbreaks—of BSE<sup>2</sup> and Foot and Mouth respectively. In each case, the Department was under pressure to bring in quickly systems which would allow it to demonstrate to the European Commission and consumers that the outbreaks were under control and that animal products were safe. The systems met these immediate objectives, but haste meant that the Department was not able to achieve a more considered and integrated solution, or to develop systems in closer co-operation with the livestock industry as other Member States had done.<sup>3</sup>

2. The Cattle Tracing System has suffered from serious technical difficulties in terms of access, ease of use, maintainability, adaptability and its ability to link with other systems. In response to pressure to introduce BSE disease control, the Cattle Tracing System was built using technology and software that was already coming to the end of its useful life. The Department made this decision because it had in-house expertise on that system. The System quickly became obsolete, however, and could not provide the service required. It now requires upgrading to improve performance and service.<sup>4</sup>

3. The Service's benchmarking in 2000 of its systems and performance against other Member States in Europe and elsewhere (**Figure 2**) showed that the performance of Britain's cattle tracking system was at best unsatisfactory, and had cost the taxpayer more than the systems in use in most other Member States. For example, cattle births were registered more quickly and at lower cost in almost every other Member State. Every country except Italy reported fewer anomalies than Britain on cattle passport applications. The benchmarking exercise also showed Britain to be less efficient than many other countries. The Service employed one member of staff to every 5,000 cattle registered in Britain, whereas in Finland, for example, the ratio was one member of staff to every 20,000 cattle and in Denmark the ratio was one employee to every 40,000 cattle.<sup>5</sup>

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2 Bovine Spongiform Encephalopathy

3 Q 121

4 Qq 14, 133–134

5 Qq 107-118

Figure 2: Findings from benchmarking visits in 2000 by the Department to ten other Member States

<b>Eartags</b>	<ul style="list-style-type: none"> <li>• Costs are up to eight times higher in Britain, because of different approaches to numbering and different supply arrangements.</li> <li>• Use of 'leading zeros' on British tags contributes to recording errors.</li> <li>• Failure rates are higher in Britain, where there is a greater choice of approved models.</li> </ul>
<b>Registering births</b>	Births are often registered quicker and at lower cost in many other Member States because calves are not allowed to move in advance of registration.
<b>Data validation</b>	Rigorous pre- and post-entry validation promoted data quality in some of the other Member States visited, with feedback (through statements) to keepers provided in all other States. In Sweden, there were anomalies in a half of passport applications, as against 30% in Britain and Italy, 8% in Ireland, 5% in France and Germany, and 'very few' in Denmark and Finland.
<b>Movement notifications</b>	Movement anomalies were fewer in many of the other Member States because they required both parties in a trade to identify each other and often to make a joint notification.
<b>Recording deaths</b>	In some States, official vets in slaughterhouses could read from their cattle tracing system, using the information to screen animals for health status, health restrictions and movement anomalies.
<b>Organisation</b>	France, Germany and Spain have regional databases and a linked central database. In Denmark, Finland and Germany, data loading is by private companies or farmer/industry-owned bodies.
<b>Electronic notification</b>	E-mail notification was available in six of the ten states; by website in five; and by phone in five. In Finland, France and Germany, over 50% of transactions were by automatic means.
<b>Efficiency</b>	The ratio of headquarters staff and agents involved in data loading and management to animals registered annually ranged from 1:3,000 in Portugal, 1:5,000 in Britain, 1:10,000 in Austria, 1:12,000 in Sweden, 1:20,000 in Finland to 1:40,000 in Denmark.
<b>Industry access</b>	Keepers had access to their records held in the database in seven of the ten states visited, slaughterhouses in three, and consumers had access in Denmark and France (and now have access in Italy).

Source: National Audit Office analysis of British Cattle Movement Service reports from benchmarking visits in 2000 to other Member States

4. The system requires the seller, the market and the buyer to make a separate notification to the Service by each sending a tear-off 'movement card' from a cattle passport to the Service by freepost each time an animal is sold through market. The Service sought the separate notifications so that at least some information would be received about a movement if one party failed to send in a notification. However, the Service has found it difficult to resolve anomalies that arise when one part of a movement is not reported. This is because the notification card does not include details of the other party in the transaction. Where a movement occurs through a market, making the market responsible for reporting all elements would reduce anomalies. Most livestock markets have well developed and audited systems for recording sales and reporting movements in and out,

which are capable of reporting all relevant elements of a transaction and would reduce the likelihood of errors.<sup>6</sup> £1 million a year in postage costs would also be saved.

5. The Cattle Tracing System does not accept notifications from agents and markets directly into the System, increasing the volume of paper notifications and contributing to the unacceptably high level of error in the system. Experience from other Member States indicates that direct entry of data by agents and markets, and feedback directly to markets from national cattle tracking systems, reduced the levels of error in the system, and reduced costs. To reduce the level of error, in January 2004 the Department printed cattle statements from the Cattle Tracing System, forwarding them to keepers for checking to their manual records.<sup>7</sup>

6. Poor design has also had significant financial implications. Poor interfaces between the System and the Department's subsidy databases meant that the Department was unable to comply fully with the European Union's requirement that from January 2000 Member States must use their national cattle databases to check claims for European Union Common Agricultural Policy subsidy. The System had not been intended or designed to link with the computer systems in use by the Rural Payments Agency, and its Scottish and Welsh equivalents, to record subsidy payments to farmers. Until January 2001 it did not include identification and location details for the entire national herd. Cross-checking proved difficult and the Department and the Agency could not check fully all claims relating to 2000 in England, resulting in European Commission penalties for the United Kingdom of £14 million. This additional cost could have been avoided by developing more robust systems.<sup>8</sup>

7. For claims relating to 2001, the Department improved its computer programs. It also undertook a major cross-checking exercise, at a cost of an additional £4 million, to help clear discrepancies identified by the cross-checks. The scale of discrepancy was such that the Agency and the Service did not meet the European Commission's deadline for payment of outstanding subsidies for 2001 by 31 August 2002. The amount of penalties to be imposed on the UK for these delays will be announced by the European Commission in a future Commission Decision but the Department estimated that overall penalties for the UK's failure to cross-check subsidies to the national cattle tracking system could cost as much as £50 million in total.<sup>9</sup>

8. Much of the data supplied by post and e-mail by farmers and their agents for input to the Cattle Tracing System is inaccurate. Staff numbers have tripled since 1998 to around 700 (full-time equivalents), including 220 temporary agency staff. This number is more than 50% above that envisaged by the Service in 2000 to operate the System for the full national herd. In 2003-04, the Service's total labour costs were £13 million, comprising £10.3 million for permanent staff and £2.7 million for temporary staff. Two-thirds of the staff are employed to pursue queries and sort out anomalies, contacting the parties involved by telephone or letter to resolve errors even though they may be minor. Only by

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6 C&AG's Report, para 2.43

7 *ibid*, para 9

8 Q 37

9 Qq 40-43

achieving greater accuracy in first-time notifications will the Department reduce the high levels of staff time spent correcting errors.<sup>10</sup>

9. The Cattle Tracing System no longer meets the basic needs of the Department, the Service or the Agency. Farmers, agents and the markets have been frustrated by the complexity of the system and favour the relative simplicity of the batch reporting offered by the Animal Movements Licensing System operated by local authorities.<sup>11</sup>

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10 Qq 46, 106

11 Qq 4, 68

## 2 Efficacy in disease control

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10. The Department's systems are intended to facilitate control of animal diseases and outbreaks. The Cattle Tracing System, however, has not fully met the needs of state veterinarians to control outbreaks of infectious diseases amongst cattle. Development of the System independently of the Department's "Vetnet" computer system resulted in poor links between the two systems. Shortcomings in the integration of cattle tracking and veterinary information means, for example, that state vets cannot quickly generate lists of at-risk animals from the system when an outbreak is suspected, as can be done with Northern Ireland's integrated Animal and Public Health Information System. An animal's disease status is flagged on Vetnet and other veterinary databases, rather than on the Cattle Tracing System, requiring state vets to cross reference cases between the databases and the System, and to visit herds to check herd registers directly. The Cattle Tracing System did assist in the planning of the disposal of carcasses during the 2001 outbreak of foot and mouth disease, but it proved of limited usefulness for movement tracing. This was due to limited levels of accessibility for occasional users, poor integration with veterinary systems and information not fully up-to-date because European Union rules allow keepers three days to report movements. Time and resources were spent tracing cattle by manual methods instead, which is more inefficient and costly.<sup>12</sup>

11. The Animal Movement Licensing System has yet to be used to trace animal movements during a serious disease outbreak, but it is supported by the livestock industry, and the Department should be better placed than in 2001 to track livestock movements. Keepers are, however, allowed up to three days to report a movement, and the system might not include all relevant movements of at risk animals for a fast-moving disease such as foot and mouth disease.<sup>13</sup>

12. Inaccurate and incomplete information supplied by keepers hinders the effective tracking of animals and the sector's ability to respond quickly to outbreaks of disease. A quarter of postal passport applications and movement notifications contained errors, and movement records were incomplete for one in eight cattle, with the current location uncertain for around 2% of all registered cattle. Movement anomalies accounted for the majority of errors within the system, with some 1.2 million anomalies still to be corrected.<sup>14</sup>

13. In part these errors may arise because livestock keepers are unfamiliar with identification and movement reporting requirements and best practice. Off-farm inspections and follow up work by the Service to resolve anomalies indicated that the majority of anomalies arose not from a deliberate attempt to defraud but from incorrectly recorded dates and other simple errors.<sup>15</sup>

14. Fraudulent manipulation of the data, such as a false claim for subsidy, overvaluation of livestock or 'passing off' older animals as being under 30 months, is less common. Keepers whose returns contain inaccuracies face corrections, deductions and penalties on subsidies,

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12 C&AG's Report, para 2.18

13 Q 13

14 Qq 6-7

15 Q 32

or even slaughter of their livestock. High levels of inaccuracies in notifications also increase the possibility of a keeper's establishment being selected for an on-the-spot inspection where records would be examined. The Department had improved its systems for monitoring local authorities' compliance checks, which should provide better information on the extent and reasons for non-compliance.<sup>16</sup>

15. Early results show that in 2003, 85 local authorities had undertaken 73,444 inspections in England and Wales in connection with livestock identification and tracking matters. Staff from the Rural Payment inspectorate had visited 7,766 farms to resolve discrepancies, usually to the satisfaction of the inspection teams. In all, some 182 prosecutions were initiated in England and Wales in 2003 for animal movement and livestock identification infringements. There were 16 successful prosecutions in 2003 for offences involving cattle, twelve of which had been prosecuted by local authorities and four by the Department. Local authorities were investigating three cases of suspected illegal activities involving sheep trading at or near markets.<sup>17</sup>

16. The exemption offered in respect of movements between "linked holdings" poses a significant risk to disease control. The exemption was originally intended to apply to regular movements of cattle under the same management regime between nearby sites. The exemption provides for cattle on these sites to be classified as a single unit with one health status. The exemption has, however, been used where land is many miles apart, when the absence of a requirement for keepers to notify the Service of movements of cattle could undermine the effectiveness of the Cattle Tracing System during a disease outbreak.<sup>18</sup>

17. The Department said that livestock tracking systems had improved since the Foot and Mouth outbreak in 2001 but further improvements were needed, particularly in the recording of pig and sheep movements. England had yet to fully implement European Union requirements for the permanent marking of pigs and there were still significant gaps and inaccuracies in information held on sheep and pig holdings recorded in the Animal Movements Licensing System.<sup>19</sup>

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16 Q 21

17 Ev 16

18 C&AG's Report, paras 2.19–2.20

19 *ibid*, paras 3.10, 3.16, and Figure 15

## 3 Electronic notification

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18. The Department recognised the potential for more accurate, cost-effective reporting using online notifications. Web-based notification was the most efficient, with error rates of around 1%. The Department had set a target of 50% web transaction uptake by 2005, and the take-up for the Cattle Tracing System had been encouraging. Around 80% of applications for a cattle passport and 93% of movement notifications still arrived by post or e-mail, however. Both these methods presented the greatest risk of error. The National Cattle Database Working Group recommended in 1996 that electronic capture of cattle data should be introduced as soon as technically feasible, but this had yet to be achieved. There had been some electronic data transfer between systems. The continued use of paper-based systems could also conceal poor business practices and inefficient working.<sup>20</sup>

19. The Department has not set a projected cut-off date for the paper-based system. It cited the wider government policy of maintaining multiple channels of communication between government and citizens as a key reason for retaining paper notifications, pending the outcome of an across-government efficiency review. It recognised that postal notifications had proved less reliable, more expensive and time-consuming for keepers to complete and more prone to error than other easy to use yet affordable alternative electronic methods, such as the touch-tone telephone notification in use in the Netherlands.<sup>21</sup>

20. Phasing out postal notifications in favour of easy to use alternative electronic methods would achieve financial savings of around £15 million a year. At least one UK pedigree society (Holstein UK) had already phased out paper notifications in favour of telephone notifications. The Department accepted the need to increase the take-up of web-based notifications still further before it could require farmers to move away from paper notifications.<sup>22</sup>

21. Obstacles to greater take-up of on-line notifications included limited access by keepers to computer facilities and relatively low levels of computer literacy amongst some keepers and farmers on smaller hill farms. A survey in December 2002 found that 47% of cattle and sheep farms, 33% of dairy farms and 29% of pig and poultry farms did not have a computer. Of those owning a computer, around half did not use it in their business. One option was to allow intermediaries to report cattle movements. For example, agents undertaking farm administration work were allowed to report their clients' cattle movements via a 'bulk e-mail' facility and would shortly be given access to the web-based online system.<sup>23</sup>

22. Self-teach packages, demonstrations, tutorials and discussion groups at agricultural shows had increased farmers' awareness of computer software to help manage their farms and improve the transfer of tracking data. To help smaller rural businesses and communities take advantage of these e-business opportunities, the Department had funded

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20 C&AG's Report, para 2.30 and Figure 8

21 *ibid*, Figure 13

22 Qq 73-75

23 C&AG's Report, para 2.40

Rural Pathfinder projects that would provide farmers with basic and enhanced computer training.<sup>24</sup>



## 4 Sharing the benefits and costs

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23. Other Member States had developed a sense of partnership between the farming industry and the government, and a shared perception of the mutual benefits of an effective tracking system. This was reflected in these countries' more extensive and accurate national databases, recording events from insemination through to retail sale. The Cattle Tracing System has delivered few features of tangible benefit to the industry, such as livestock management, breeding data and support for farm assurance because of the lack of integration between the system and industry databases. The need to foster a shared sense of responsibility had been recognised in the Department's Animal Welfare and Health Strategy.<sup>25</sup>

24. The aim of the Department's planned Livestock Identification and Tracking Programme was to bring together data held currently in overlapping systems and databases to support the Department's business aims and to meet current and proposed future European Union requirements. These requirements included the proposed deadline of 2008 for introducing electronic identification of livestock. To date, the Department had been cautious about encouraging widespread uptake of electronic identification by the industry, pending resolution of the technical challenges associated with this new technology and the production by the European Commission of a harmonised system. In recognition of the potential opportunities and benefits offered by electronic identification, the Department had funded a 12-month working pilot trial of electronic tagging and reporting systems, involving 70,000 sheep and selected livestock markets and slaughterhouses.<sup>26</sup>

25. In some other Member States, keepers pay an annual levy of around £1.40 to £2.40 (in 2000) per animal towards the upkeep of the national tracking database. In England, the taxpayer has borne the full cost of operation of the tracking systems of some £30 million a year, the majority of which has been spent in correcting errors. The taxpayer has also borne the financial burden of penalties imposed by the European Commission for delays and problems in cross-checking subsidies. English systems had not provided all the functionality that industry might have expected or hoped for, but livestock keepers had nonetheless benefited from the tracking systems. In the case of cattle farmers, the systems were needed to qualify for Common Agricultural Policy subsidies. Departmental policy on charging, and the decision to defer charging for the Cattle Tracing System, had been influenced by the difficult economic conditions facing the industry after the BSE crisis of the late 1990s, and which continued with the foot and mouth outbreak in 2001. The Department confirmed that the Government intended to end the holiday from charges but no decision had yet been taken on when, given the state of the industry and the changes it faced, and the need to develop the partnership between government and the industry further.<sup>27</sup>

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25 Qq 122–123

26 Q 125

27 Q 30

26. Livestock identification and tracking systems were part of a European Union-wide programme to verify subsidy claims paid to farmers, and to provide consumers with information and assurance about farm-produced meat and animal products. Effective systems offered significant benefits to taxpayers, consumers and the United Kingdom economy through reduced administration costs, and better enforcement of health and hygiene standards. Farmers benefited through increased consumer confidence in the quality of the national livestock herd.<sup>28</sup>

27. Based on experience in other Member States, the most effective livestock tracking systems were those founded on systems and databases which served the needs of keepers, whilst also providing the information needed to meet European Union requirements. Denmark's system, for example, was accessible to keepers and slaughterhouses and consumers, as well as the government. Databases in Finland and Denmark were maintained by private companies and were fully integrated with the country's subsidy database. Rigorous pre-and post-entry validation of data in some Member states improved data quality, and all other Member States provided regular feedback to keepers in the form of statements. Compliance in other Member States had been encouraged through the close involvement of the livestock industry in the design, governance and delivery of systems.<sup>29</sup>

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28 C&AG's Report, para 1.3

29 Q 77

# Formal minutes

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**Monday 17 May 2004**

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon	Jim Sheridan
Mrs Angela Browning	Mr Gerry Steinberg
Jon Cruddas	Jon Trickett
Mr Brian Jenkins	Mr Alan Williams

The Committee deliberated.

Draft Report (Identifying and tracking livestock in England), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Twenty-seventh Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

Adjourned until Wednesday 19 May at 3.30 pm

## Witnesses

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### Wednesday 4 February 2004

*Page*

**Sir Brian Bender KCB, Mr Malcolm Hunt**, Department for Environment, Food and Rural Affairs, and **Mr David Evans**, Rural Payments Agency

Ev 1

## List of written evidence

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Department for Environment, Food and Rural Affairs

Ev 15

Department for Environment, Food and Rural Affairs

Ev 16

## List of Reports from the Committee of Public Accounts Session 2003–04

First Report	Tackling fraud against the Inland Revenue	HC 62 (Cm 6130)
Second Report	The new electricity trading arrangements in England and Wales	HC 63 (Cm 6130)
Third Report	The Sheep Annual Premium Scheme	HC 64 (Cm 6136)
Fourth Report	Improving service delivery: the Forensic Science Service	HC 137 (Cm 6155)
Fifth Report	Warm Front: helping to combat fuel poverty	HC 206 (Cm 6175)
Sixth Report	Department of Trade and Industry: Regional Grants in England	HC 207 (Cm 6155)
Seventh Report	Progress on 15 major capital projects funded by Arts Council England	HC 253 (Cm 6155)
Eighth Report	The English national stadium project at Wembley	HC 254 (Cm 6155)
Ninth Report	Review of grants made to the National Coalition of Anti-Deportation Campaigns	HC 305 (Cm 6175)
Tenth Report	Purchasing and managing software licences	HC 306 (Cm 6175)
Eleventh Report	Helping consumers benefit from competition in telecommunications	HC 405 (Cm 6191)
Twelfth Report	Getting it right, putting it right: Improving decision-making and appeals in social security benefits	HC 406 (Cm 6191)
Thirteenth Report	Excess Votes 2002–03	HC 407 (N/A)
Fourteenth Report	Inland Revenue: Tax Credits	HC 89
Fifteenth Report	Procurement of vaccines by the Department of Health	HC 429
Sixteenth Report	Progress in improving the medical assessment of incapacity and disability benefits	HC 120 (Cm 6191)
Seventeenth Report	Hip replacements: an update	HC 40
Eighteenth Report	PFI: The new headquarters for the Home Office	HC 501
Nineteenth Report	Making a difference: Performance of maintained secondary schools in England	HC 104
Twentieth Report	Improving service delivery: the Veterans Agency	HC 551
Twenty-first Report	Housing the homeless	HC 559
Twenty-second Report	Excess Votes (Northern Ireland) 2002–03	HC 560
Twenty-third Report	Government Communications Headquarters (GCHQ): New Accommodation Programme	HC 65
Twenty-fourth Report	Transforming the performance of HM Customs and Excise through electronic service delivery	HC 138
Twenty-fifth Report	Managing resources to deliver better public services	HC 181
Twenty-sixth Report	Difficult forms: how government departments interact with citizens	HC 255
Twenty-seventh Report	Identifying and tracking livestock in England	HC 326

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number



# Oral evidence

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## Taken before the Committee of Public Accounts

on Wednesday 4 February 2004

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Jon Cruddas  
Mr Brian Jenkins

Jon Trickett  
Mr Gerry Steinberg  
Mr Alan Williams

**Sir John Bourn KCB**, Comptroller and Auditor General, further examined.

**Mr Brian Glicksman**, Treasury Officer of Accounts, HM Treasury, further examined.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

#### Identifying and tracking livestock in England (HC 1144)

*Witnesses:* **Sir Brian Bender KCB**, Permanent Secretary and **Mr Malcolm Hunt**, Head of Livestock Identification Division, Department for Environment, Food and Rural Affairs; and **Mr David Evans**, Director, British Cattle Movement Service, Rural Payments Agency, examined.

**Q1 Chairman:** Good afternoon, welcome to the Committee of Public Accounts where today we are looking at the Comptroller and Auditor General's Report on Identifying and Tracking Livestock in England. We are joined by Sir Brian Bender, the Permanent Secretary and Accounting Officer for the Department for Environment, Food and Rural Affairs. Welcome, Sir Brian, perhaps you can introduce your colleagues?

**Sir Brian Bender:** Thank you, Chairman. On my left is Mr Malcolm Hunt, who is Head of Livestock Identification Division in the Department and on my right is Mr David Evans who is the Director of the British Cattle Movement Service based in Workington.

**Q2 Chairman:** This is an important hearing, obviously very important to the farming community. Can I first ask you to deal with paragraphs 2.14 and 2.18 which you can find on page 16 and 17. What I want to start with is to ask you why the Cattle Tracing System does not link better with the state veterinary system for use in disease control?

**Sir Brian Bender:** Can I say first of all that it was developed to deal with tracing in the context of BSE. I do believe it has achieved its objectives on that, and I can elaborate on that later on. There are links to other databases, there is a link to the veterinary database for TB and BSE. The work we have in hand is intended to get much better integration between the various databases in the Department.

**Q3 Chairman:** You will appreciate that the two systems seem to do much the same. Sir Brian, you are not expert on joined-up government!

**Sir Brian Bender:** I have done a fair amount of work in my time on the need for joined-up government, Chairman. When you say the two systems are the same—

**Q4 Chairman:** They serve the same purpose.

**Sir Brian Bender:** The Cattle Tracing System and the Animal Movements Licensing System do not have the same purposes. The Cattle Tracing System is for individual cattle, to be able to trace them for BSE and other public health control purposes. The Animal Movements Licensing System is a batch movement system to be able to work out where animals go in the intermediate phases and at the end, so that, in the event of a disease outbreak, we would know where the animal has been and what the bio-security risks will have been. They actually have different purposes but clearly we need to ensure that they are integrated. The Animal Movements Licensing System uses CTS data as far as cattle are concerned.

**Q5 Chairman:** Can I ask you now to look at the cross-checking of subsidy claims, and you can find references to this in paragraphs 2.21 and 2.24 on page 18. There have been some problems with this, Sir Brian, because they have been expensive for the Government and farmers; why have the Rural Payments Agency systems been so poor?

**Sir Brian Bender:** This has not been satisfactory and I would not claim to the Committee that it has been. The Cattle Tracing System was originated for the purpose I described. The European Commission issued rules around the turn of the decade, the turn of the century, saying that there needed to be a cross-check between Member States' cattle tracing systems and their subsidy systems for ensuring subsidy eligibility. Making that cross-check happen, actually integrating the two sets of data, proved extraordinarily difficult, and it was not made easy by the fact that the two organisations were in different line managements. Therefore one of the decisions we took 12 months ago was to merge BCMS into the Rural Payments Agency. It had not been

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satisfactory. I believe we have got over that hump and having done the cross-checks, last year, 2003, represented a very significant improvement.

**Q6 Chairman:** My next question I believe is quite an important one, it relates to figure 10 on page 22, which is the movement anomalies awaiting resolution. What I would like to ask you, Sir Brian, if you look at that figure why do you tolerate one million or more unresolved movement anomalies on the Cattle Tracing System?

**Sir Brian Bender:** We do not tolerate it, we should not tolerate it.

**Q7 Chairman:** It is there.

**Sir Brian Bender:** The figure is there. It was significantly higher and it is on its way down as a result of the work we have done. It is now below one million and falling. It is therefore a legacy and a problem of the past. The reason it is arose was that error rates in the data entry by farmers arrived too quickly for us to clear them with the available resources against other priorities. We now have a situation that we are tackling these on receipt, and elsewhere in the Report there is with reference to the new Cattle Statements that are issuing; they will reduce this problem very significantly.

**Q8 Chairman:** We are where we are at the moment. Sir Brian, suppose we had a foot and mouth outbreak, suddenly the phone rings and there is an outbreak reported in a farm in Northumberland. What happened last time is there was chaos, your officials had to go back to markets and check records. We have gone through the process of introducing this Cattle Tracing System to try and resolve this but at any one time there are up to one million movements lost. That is quite a serious position, is it not?

**Sir Brian Bender:** Yes.

**Q9 Chairman:** There could be days in which you would have to send people scurrying off to market places to check records and you would not be on top of what was happening and you would not therefore be able to immediately come to grips with this outbreak.

**Sir Brian Bender:** The first comment I would make is that that number is coming down.

**Q10 Chairman:** All right, it is coming down but it is still there. The fact is that farmers have been subjected to a lot of difficulty and bureaucracy and they went through hell last time. What they want to know from these systems that we have imposed on them is that they actually work. What this figure shows is that at any one time there are up to one million movements which you do not have a firm grip on.

**Sir Brian Bender:** As I said, Chairman, it is not satisfactory, it is coming down.

**Q11 Chairman:** I do not think you can say that it is not satisfactory. You have to try and come up with a better system.

**Sir Brian Bender:** Can I try and answer the question? I will not repeat what I have just been saying: a combination of Cattle Statements to remove these anomalies or further use of electronic take-up, referred to in the Report, would ensure significantly fewer errors and significantly fewer anomalies on the system. I believe that in any disease outbreak there is a likelihood that we are going to have to have people on the ground doing the tracing: AMLS will be a data source. The other point is that the data is unlikely to be real-time, except where it is entered electronically, because EU regulations allow two or three days delay for the data to be there. We will progressively get into an improved position. I believe we are well placed in the event of a future outbreak through the changes we have made and the lessons we have learned from the last time. I believe we will always need people on the ground to do the individual tracing.

**Q12 Chairman:** Let us see what farmers are doing. It is true, is it, if we look at paragraph 2.36 and 2.41 you will see that inefficient postal identifications are increasing costs to government. Just remind me, what proportion of farmers is using internet communication?

**Sir Brian Bender:** There are two forms of electronic notification, one is e-mail and the other is via the web. The most efficient way of doing it is directly on to the web rather than sending it to us by e-mail. 50% of all movements were notified electronically. Our target is to get the web-based transactions up to 50% by the end of next year. The sort of recommendations in the NAO Report are just the sort of actions that we intend to take to try and achieve that. Clearly we would wish to remove as soon as practicable the paper notification because paper notification has the greatest risk of errors in it.

**Q13 Chairman:** Can I ask you to give us more information about the Animal Movements Licensing System, that is dealt with on page 28 paragraph 3.3? Are you confident with this newer system that you will have rapid and complete tracing of livestock movements in a future disease outbreak?

**Sir Brian Bender:** I will ask Mr Hunt to supplement what I say. I believe we are better placed, it is fully tested and operational. It has obviously not been tested in the real world. The NAO Report says that the industry considers it to be robust. We are trying to shorten the time delays on reporting by increasing electronic data transfer. The answer is, I believe, we will be significantly better placed on this aspect, as on many others, in the event of another disease outbreak.

**Q14 Chairman:** You use your words quite carefully there. Let us go back to the Cattle Tracing System. If you look at paragraph 4.2 you will see that needs to be replaced because of serious technical limitations, that is rather worrying, is it not? Why is that?

**Sir Brian Bender:** If I can say, I think it is a reflection of the rapid developments in IT over the seven or eight years since the system was first introduced and



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the changes we needed to introduce. We have an old technology platform that cannot provide the service now required and it must be upgraded to ensure it improves performance and service. I do not regard that as a failure, I regard it as a need to keep up with the times and ensure that we can actually provide the performance and service needed.

**Q15 Chairman:** In conclusion it appears to me, Sir Brian, you have systems which are very worthy but there is a lack of integration between them and the farming community is not entirely happy. Is it not possible to create a system that works from the start?

**Sir Brian Bender:** There are two answers to that. We have a progressive programme to ensure integration for the future. That is in hand and I can provide dates we are aiming to achieve goals, chapter four of the NAO Report says that. Secondly, I would assert that for its essential purpose of dealing with the BSE crisis, the Cattle Tracing System was actually part of the panopoly of successful measures; the number of cases have come down rapidly, consumption has returned to its pre-1996 levels and therefore the Cattle Tracing System, for all of the points you have identified and the NAO Report identifies, has achieved its primary aims. There are plainly lessons in terms of integration and in terms of systems.

**Chairman:** Thank you very much, Sir Brian. Mr Steinberg?

**Q16 Mr Steinberg:** It is very clear from events we had a couple of years ago that all cattle need to be continuously traced and their whereabouts need to be known, nobody is going to deny that. What would you say the potential economic cost of the spread of a disease like FMD is?

**Sir Brian Bender:** The beef industry is worth £11 billion to the United Kingdom economy, that is simply the beef industry for its trade. The economic cost of the Foot and Mouth Disease was £8 billion. There were particular circumstances this Committee examined in relation to what happened in 2001, which were, I would say, unique in the world and the potential cost not simply to the farming economy, but to the rural economy more widely is potentially massive.

**Q17 Mr Steinberg:** It is a huge amount of money.

**Sir Brian Bender:** Yes, it is a huge amount of money.

**Q18 Mr Steinberg:** A tracing system is vital. The Chairman has touched on real problems that you are having and I have to go along with everything that the Chairman has said. I read the Report right from the first page to the last and I must admit I certainly was not convinced that the tracing system was actually the answer. Would you agree that the system is needed for the benefit of the livestock producer themselves as well as for—

**Sir Brian Bender:** Is it needed? Yes, absolutely. What we need to be trying to get is a mix of measures where it is actually in the interests of the livestock sector to have an effective tracing system which will help them sell, at the best market price, traceable, in this case beef. One comment about the 2001 outbreak, it was

spread by sheep primarily and the Cattle Tracing System does not cover that species. The proposals covered in chapter four of the NAO Report refer to future ID requirements on sheep. At the moment we only operate a batch requirement on sheep.

**Q19 Mr Steinberg:** Why does the sheep sector have such a very bad record then?

**Sir Brian Bender:** It depends on what you mean by “bad record”. The anomalies that the Chairman was asking about come down to, for one reason or another, errors in the way that cattle farmers input the data; we clearly have a responsibility to have a simpler system. In the case of the sheep industry one of the problems we experienced in 2001 was that a large number of movements of animals, often through dealers, often through markets, spread the disease. I hope that the reform of the Common Agricultural Policy which is going to detach, disassociate, decouple, the subsidy from the production will mean that any movement of livestock by sheep farmers and by dealers will be surely for the benefit of the market, and not simply because if they have it at a particular time, they get a subsidy.

**Q20 Mr Steinberg:** Why do you still allow out-of-market transactions to take place? Why do you allow sheep to be sold in the car park and transferred where there is absolutely no record whatsoever of those movements? You have done nothing about that, why?

**Mr Hunt:** It is not true that we are not doing anything about it.

**Q21 Mr Steinberg:** You are not doing very much, are you?

**Mr Hunt:** We are trying to improve compliance with the regulations that have been introduced. The Report talks about the Animal Movements Enforcement System we are rolling out to all of the local authorities so that we get a better handle on exactly what activity they are doing, and have better and accurate information about how they are dealing with non-compliance. It ranges from oral warnings, written warnings to prosecutions.

**Q22 Mr Steinberg:** How many prosecutions have you had for that sort of trading?

**Sir Brian Bender:** We can give you a list of prosecutions overall, some of which relate to movements. We will let you have a note on that.<sup>1</sup>

**Q23 Mr Steinberg:** It seems to me you are never going to stamp out the possibility of serious spread of disease if you are not doing anything about the illegal transactions that are taking place. You can have the best system in the world but that is not going to work if you have farmers saying, £50, or whatever they do, and they take it away and nobody knows where they have gone.

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<sup>1</sup> Ev 16–19

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**Sir Brian Bender:** When lots come to a market we do not allow them to be broken up and sold. All movements are required to be reported and the role of local authorities is to police these movement arrangements, and, as I understand it, they do police car parks as well as the markets themselves. Our understanding is that in the last few months between 2.2% and 2.7% of movements have been in breach of the stand-still arrangement in one way or another.

**Q24 Mr Steinberg:** How many sheep is that?

**Sir Brian Bender:** It would be a lot of animals.

**Q25 Mr Steinberg:** We have millions of sheep being moved round the county where nobody has the faintest idea where they are going or where they have been and what is likely to happen to them. You can have the best system in the world, you can trace every single animal that is going through the markets but you have two million sheep wandering the countryside—baa—and nobody knows where they are.

**Sir Brian Bender:** I think you are exaggerating, Mr Steinberg.

**Q26 Mr Steinberg:** Was it 200,000 sheep? Is 2% 200,000?

**Mr Evans:** The 200,000 figure related to cattle.

**Q27 Mr Steinberg:** It is two million sheep. I was right the first time.

**Sir Brian Bender:** All trade in and out of the sheep flock needs to be recorded in flock records. The local authorities are responsible for policing the movement arrangements. We have a concordat with them on consistency of application. There have been some high publicity cases; there was a farmer in Cheshire fined £17,000 on three counts of moving stock in breach of the notice. There is, of course, a balance to be struck. The original restriction the Government introduced as foot and mouth disease was abating was a 20-day movement ban, and that tipped things the other way as far as the industry was concerned because they thought it was too rigorous and therefore they were more likely to disobey the rules.

**Mr Steinberg:** I will move on because I think I have made the point on that and I am only a quarter of the way down the first page and I have got five pages to go, so we are here until eight o'clock tonight.

**Chairman:** You may have five pages but you have only got five minutes!

**Q28 Mr Steinberg:** It is quite clear from the Report that the existing Animal Movements Licensing System appears to be more effective and certainly more popular with the industry. That is what I got from the Report. We know farmers are never more happy than when they are moaning, we know that, but are they justified in this instance to have more support for this scheme, their own scheme, than the tracing scheme? Is it easier to administer, is it more effective, or what?

**Sir Brian Bender:** This links to the point I was trying to make just now which is in the immediate aftermath of foot and mouth we had a system that required a stand-still of 20 days. That was very unpopular within the industry. They felt it was imposing an unnecessary burden on their ability to do business. It was the maximum safety for security reasons. Ministers looked at this, I guess, about a year ago and reduced the requirement to six days but with tighter enforcement, and that has had industry support.

**Q29 Mr Steinberg:** So which is the best scheme, because you do not want two schemes, do you?

**Sir Brian Bender:** Where we are at the moment is a better situation than last year in the sense that if there was not sufficient industry buy-in, then they will try and find their way round the rules more often and it will be very difficult to police.

**Mr Steinberg:** The taxpayer is paying millions of pounds in subsidy to the farmers.

**Jon Trickett:** Tens of millions!

**Q30 Mr Steinberg:** Tens of millions of pounds. Why should the farmers not pay for the system themselves? Why should the taxpayer pay for a system that benefits the farmers more than anybody else because it is them that go out of business and when they go out of business we as the taxpayer have to pay subsidies to them to put them back into business. Why in the name of heaven should they not pay for the tracing system? Why should the Government be having to foot the bill?

**Sir Brian Bender:** It was the original intention that the cattle tracing system should recover its costs from the cattle industry. The decision was taken by ministers in, I think, 2000, to provide a holiday for that recouping of payment because of the state of the industry. That holiday at the moment still exists. It is the intention of the Government to end that holiday but no decision has been taken as to when, looking at the overall state of the industry and the other changes it faces and burdens on it. The other issue is that the *raison d'être* of the Department's Animal Health and Welfare Strategy is to get a better sense of partnership between government and the industry on sharing responsibilities.

**Q31 Mr Steinberg:** If you read paragraph 9 (which I was going to read out but I will not) it really is an indictment of the scheme itself. It says that the Cattle Tracing System is inaccurate, the movement records for one in eight animals are incomplete, the current location of 2% of animals is uncertain, *et cetera*, *et cetera*. Out of all those faults in the system how much is fraud?

**Sir Brian Bender:** I am sorry, how much is fraud?

**Q32 Mr Steinberg:** How much is it deliberate fraud?

**Mr Evans:** The evidence we have from on-farm inspections and following up queries when anomalies are discovered is that the vast majority of it is errors, mistakes, people making simple errors about recording dates or the exact—

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**Q33 Mr Steinberg:** Alright, but how much fraud is in the system?

**Mr Evans:** There is a low level of fraud.

**Q34 Mr Steinberg:** Put a figure to it?

**Mr Evans:** I cannot put a figure to the value of the fraud because the fraud generally would be against a subsidy scheme perhaps in the data made available, or due to illegal re-identification and adding value to animals.

**Mr Steinberg:** Right, well, it looks as though my time is up.

**Chairman:** Just to answer Mr Steinberg's question, at any one time, Sir Brian, how many sheep are lost?

**Q35 Mr Steinberg:** I do not think they could answer it, that was the problem.

**Sir Brian Bender:** Can I provide a note back with what we understand is the position with sheep?<sup>2</sup>

**Mr Hunt:** We do not monitor sheep individually as we do cattle.

**Q36 Mr Steinberg:** I think you would be falling asleep!

**Sir Brian Bender:** So we are talking about batches.

**Mr Hunt:** The control is not just at marts or markets. There are on-farm inspections by local authorities. These sheep have to be bred somewhere. They then go through perhaps dealers, then on to market and then they have to be slaughtered and sold to somebody and there are controls at all those links in the chain so I think that for someone to have a flock of sheep that bypasses all of those checks would be unusual. I am not aware that local authorities have reported to us a complete flock of sheep which nobody had had any knowledge of.

**Chairman:** Thank you.

**Q37 Jon Trickett:** How much have we been fined as a country because of your failure to get the CTS in place?

**Sir Brian Bender:** The failure that caused the disallowance by the European Commission related to the lack of satisfactory cross-checks between the Cattle Tracing System and the subsidy system, and the answer to your question is £14 million.

**Q38 Jon Trickett:** Per year?

**Sir Brian Bender:** It relates to the year 2000 and there may well be further Commission proposals and subsequent decisions in relation to 2001–02. That process has not been completed yet.

**Q39 Jon Trickett:** How many years have we been outwith the European Commission's guidelines?

**Sir Brian Bender:** The answer would be since the claim year 2000.

**Q40 Jon Trickett:** So would I be wrong in saying that it is going to be between £50 million and £60 million in total up to the end of this calendar year?

**Sir Brian Bender:** I would expect it to be a bit less than that over the three years.

**Q41 Jon Trickett:** What is your estimate?

**Sir Brian Bender:** It is a bit difficult to make an estimate because the Commission—

**Q42 Jon Trickett:** But it is not as much as £50 million.

**Sir Brian Bender:** I would expect it to be a bit less than £50 million but I would not want to mislead the Committee that it will be a lot less.

**Q43 Jon Trickett:** A significant amount of money?

**Sir Brian Bender:** A significant amount of money.

**Q44 Jon Trickett:** In addition to that we are paying huge amounts of money in additional staffing because you are not enforcing the system, are we not?

**Sir Brian Bender:** Yes.

**Q45 Jon Trickett:** How much is that costing us?

**Sir Brian Bender:** Have you got the cost of BCMS staff to hand, David?

**Mr Evans:** Total staff cost of BCMS is around £13 million a year, total labour.

**Sir Brian Bender:** Not all of which is concerned with this system.<sup>3</sup>

**Q46 Jon Trickett:** Two-thirds of your staff are wasting their time correcting errors because you have not enforced the on-line system. Two-thirds of all your staff, which is 700 staff, are wasting their time correcting errors which would not occur if they were using the BCMS system electronically. Is that right?

**Mr Evans:** I would not say they were wasting their time.

**Q47 Jon Trickett:** They are correcting errors?

**Mr Evans:** They are correcting errors.

**Q48 Jon Trickett:** Two-thirds of your staff, two-thirds of £40<sup>4</sup> million a year is being used to correct errors which would not occur if it were being done electronically. Is that right?

**Mr Evans:** The instance of error would be a lot lower but some of those errors might still occur.

**Q49 Jon Trickett:** The estimate that you have made is that two-thirds of your staff are spending their time correcting errors. If they were using the CMS system electronically, less than 1% of submissions would be in error.

**Sir Brian Bender:** There is a figure in the Report of £15 million of potential savings through electronic—

**Q50 Jon Trickett:** I think that is an incorrect statement and I am going to try to challenge it. That is the purpose of my questioning, is it not? If we look at chart 11 on page 23 it says that your salaries are £9 million. You have just said they are £14 million so the figure does not stack up, does it? For 700 staff to

<sup>2</sup> Ev 19

<sup>3</sup> Ev 19

<sup>4</sup> *Correction by witness:* The figure should be £14 million.

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earn £9 million they are being paid £10,000 each, which is not right at all, so this figure is not a correct figure, is it?

**Mr Evans:** The figure of total staff costs is £13 million but the figure in the Report is correct as it identifies the cost of permanent staff.

**Q51 Jon Trickett:** Where do you get the £13 million on this pie chart?

**Sir Brian Bender:** Mr Evans is trying to answer your question.

**Mr Evans:** The total staff cost is the sum of the permanent staff cost which is around £9 million and around £4 million are running costs which we spend on agency staff. The total for that is £13 million on people.

**Q52 Jon Trickett:** Where is the £4 million shown on the pie chart?

**Mr Evans:** The £4 million would be in running costs.

**Q53 Jon Trickett:** Where is that then on the pie chart? Is this chart not misleading? On page 23 on the pie chart at figure 11 it shows £9 million for service salaries, which is obviously preposterous.

**Mr Evans:** The extra money would be included in other costs and some of the staff are paid, or the costs are recovered, through projects we are running and some of those elements have been capitalised.

**Q54 Jon Trickett:** You just told this Committee that there was £4 million shown in running costs but the running costs are not £4 million in total, are they?

**Mr Evans:** The running costs of the organisation are considerably more than £4 million in total. Running costs would be an addition of these elements.

**Q55 Jon Trickett:** I notice that there are a lot of questions on this paragraph 2.37 and the pie chart and I am not going to get through all of them. I do not think this is an attempt to mislead the Committee but it is misleading in the way it has been represented because it is clearly substantially more than £9 million, it is just the people working on this particular system. Two-thirds of them are being used to correct errors which would not occur if the system was being used electronically. Is that a fact?

**Mr Evans:** Many of those errors would not arise.

**Sir Brian Bender:** If there were no errors then I think Mr Trickett's question is correct. What Mr Evans is trying to say is there may well still be some errors.

**Q56 Jon Trickett:** You have said in the Report it would be 1% rather than 20% and two-thirds of the staff are there trying to correct the errors in the 20%. I think it would be better if we just got a straight answer from you, frankly; yes there would be less errors, probably 1%, and therefore if you extrapolate you could say that one-twentieth of the additional staff would be required since there would be one-twentieth of the errors. Is that not just mathematically correct?

**Mr Evans:** If we had fewer errors we would certainly need fewer staff.

**Q57 Jon Trickett:** Two-thirds of £14 million, so let's say it was £7 or £8 million a year, which is being generated by the errors, in staffing costs which were unpredicted. This paragraph says that. Again over three years that is £20 million. We have had a figure of fines by the Commission of between £40 and £50 million. It has actually cost us £70 million, the fact we have not imposed electronic system; that is a fact, is it not?

**Sir Brian Bender:** It has cost us money because we have not managed to have the effective cross-checks and we have had data errors. The electronic system when introduced will reduce that close to zero. It would not have been practicable to have introduced that electronic system in 2000.<sup>5</sup>

**Q58 Jon Trickett:** How has the Netherlands managed to do it and how has Ireland done it?

**Sir Brian Bender:** There are two fundamental differences between the Dutch system and ours, and the Report certainly could be misleading on this point. The first is that the Dutch started with an agreed database, a shared database with the industry. That is the sort of situation we are trying to get to with the Animal Health and Welfare Strategy—a system of sharing. Secondly, the Dutch have a significantly smaller national herd than we do so the number of movements they have to record and trace is far, far smaller.

**Q59 Jon Trickett:** Well, some people might suggest that the Department's handling of farmers in this country is happy not to be too rigorous because it knows the kind of evidence which would emerge if we were very rigorously to impose a system of checking on the farming community. I think in our discussion about foot and mouth the Department was really able to confirm that they were aware of practices which farmers were engaged in which were probably illegal. I might well draw the conclusion that you are not being rigorous because you do not want to turn over a stone or two.

**Sir Brian Bender:** I would not accept that.

**Q60 Jon Trickett:** Why have you not imposed it then?

**Sir Brian Bender:** Because there is a balance to be struck in an industry in economic difficulties between trying to ensure that farmers can make a decent living and encouraging compliance and enforcing the law. Getting that balance right is one of the answers I was trying to give Mr Steinberg about the difference between 20 days and six days. If we go too far one way we drive the industry into the ground.

**Q61 Jon Trickett:** It has cost us £60 million at least, by my estimate, not to impose a system which would have almost eliminated the errors. I rather believe that some of the errors in the claims submitted by farmers, many of whom have computers as this Report says and could well submit them electronically and choose not to do so, must be

<sup>5</sup> Ev 19

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because they are trying to cover up for activities which are semi-criminal. I want to ask one final question because my time is running out. In paragraph 2.37 it says in the third sentence that staff numbers have tripled since 1998 and it says you are using 220 agency staff and that you had originally estimated that you would have a staffing level of about 440–460. Where are these additional staff located?

**Sir Brian Bender:** Workington.

**Q62 Jon Trickett:** And are they in an existing building which you had? 200 staff is a small factory of people here. How have you accommodated them? Are they in a building we have had to lease for the occasion or have you managed to double up desks? Where are these people?

**Mr Evans:** People are accommodated on our site. We have a very large Portacabin building which we have rented and we have recently put up a prefabricated building to extend the accommodation.

**Q63 Jon Trickett:** This is my final question. How long are we going to put up with additional costs, being fined by the European Union (which is rather untypical of the British Civil Service) and paying these staff who are correcting errors which would be rectified if we went on to an electronic system? You are really costing the taxpayer a large amount of money because of your collusion with the farming community.

**Sir Brian Bender:** I do not accept the accusation of collusion with the farming community. The electronic take-up of the CTS system is one of the highest of any system in government. The answer to your question how long is this going on for—with the combination of having sorted out the cross-checking system, which we have now done, and the issuing of cattle statements, which we have now done and is referred to in the Report, I believe the problem is now over and therefore diminishing.

**Chairman:** Collusion is a strong word. I am sure you did not want to imply any wrongdoing.

**Jon Trickett:**—I do not want to say there is any criminal activity going on but many people might have the view that the Department has had an over-close relationship with the farming community for many years, sometimes at the expense of the taxpayer and often at the expense of the consumer. I certainly would not want to use the word collusion in any way inappropriately. If it is inappropriate I will withdraw it.

**Chairman:** We would not want to imply improper conduct. Brian Jenkins?

**Q64 Mr Jenkins:** Sir Brian, when you were answering Mr Trickett's questions you said the Report could be misleading at this point.

**Sir Brian Bender:** Could you remind me where?

**Q65 Mr Jenkins:** It was one of the questions on the Dutch system and you said the Report could be misleading at this point. Did you get a copy of this Report?

**Sir Brian Bender:** Of course, Mr Jenkins, and when I re-read it it seemed to me that what we might have done in approving the Report is be a little clearer what the difference of circumstances is between the Dutch situation and the British situation. The Dutch system is not simply run in its entirety with 40 people. They outsource telephony, they have a separate inspectorate to enforce regulations, and they have a much smaller cattle herd. I apologise if the way we have agreed with the NAO expressing this did not cover the whole picture.

**Q66 Mr Jenkins:** I just want to make clear that when you sign off these Reports, this Report to us is 100% accurate.

**Sir Brian Bender:** It is accurate but I am not sure it told the whole story on this point.

**Q67 Mr Jenkins:** You had the opportunity to make that point clear before the Report was finalised.

**Sir Brian Bender:** Understood.

**Q68 Mr Jenkins:** When Mr Steinberg asked you a question I was not quite clear of your answer. I want to go back over the Cattle Tracing System and the Animal Movements Licensing System. I appreciate the difference between them but since the Animal Movements Licensing System appears to be more reliable and popular, why do we need a Cattle Tracing System? Why do we not switch totally to the Animal Movements Licensing System?

**Sir Brian Bender:** The Animal Movements Licensing System looks at batches of animals as they are moved. The Cattle Tracing System looks at the one species of cattle as individuals, and its data is fed into the Animal Movements Licensing System. So they are not two completely separate systems but they are systems for different purposes. They are compatible, and what we are going to be doing over the period is making sure that they are fully integrated.

**Q69 Mr Jenkins:** Good, I just wanted to make it clear we have two systems for two different situations but each cattle in effect could be one group under the Animal Movements Licensing System and therefore there is no reason or rationale why we cannot use the Animal Movements Licensing System, it is just we use the tracking system because it gives us greater security.

**Mr Evans:** The tracking system offers greater detail but it also does more than trace animals; it establishes the lineage of animals, the dams and calves, which is very important in the control of BSE, so it is a parentage record as well as a movement record. The AMLS does not include that as one of its features.

**Q70 Mr Jenkins:** If I can take you to figure 7 on page 19 “The cattle industry's aspirations for identification and tracking”. The 1996 Report of the National Cattle Database Working Group suggested that we need as soon as feasible electronic capture of records and information. That was 1996; we are now in 2004. It has been a long time coming and if you take the next part, the key stakeholder, the

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 Department for Environment, Food and Rural Affairs and Rural Payments Agency
 

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National Farmers Union, criticised the Department very heavily for its heavily paper-based version and failure to make use of existing proven technology. What is your reply to those statements?

**Mr Evans:** The foundation Cattle Tracing System introduced in 1998 included electronic capture of information. We have had a bulk e-mail link with customers from 1998. This was augmented and improved in 2001 when we introduced the more sophisticated web link and we are working now to improve access.

**Q71 Mr Jenkins:** Mr Trickett went on at great length to explain the costs involved in your staff correcting errors in forms sent in under the paper-based system. Did you consider maybe it would have been beneficial to supply computers to those farmers who did not have a computer so they could make use of the web and stop using the paper-based system and that everyone used the web?

**Mr Evans:** Yes, we have made a suggestion, we have worked up some outline costs of supplying PCs or a system like the French Minitel system which is a data transmission device. We have taken active steps already to try and capture information from individual keepers and from intermediaries who already have this equipment rather than us paying to provide this equipment. Others who already have it can supply information on behalf of their clients, their neighbours and family. We have taken concrete steps to open up more routes for information to come in on existing infrastructure rather than giving infrastructure ourselves.

**Sir Brian Bender:** We are also co-operating across government in a Rural Pathfinder, where the UK On-Line Centres will actually have centre managers training farmers in how to use PCs. So there is a series of things we are doing. The provision of PCs to farmers would come up against EU state aid rules. The way forward has to be a combination of electronic take-up of the sort Mr Trickett was asking about at our end, and the education of farmers, skilling of farmers and third party intermediaries in the manner Mr Evans was describing to ensure they use it. That has to be the way forward. It is a question of how quickly these things can happen.

**Q72 Mr Jenkins:** If it is costing us the £10 million a year we could save, if you provided 20,000 computers per year to farmers who do not have a system, it would make sense. I think that state aid in the world of farming is surely a bit of a joke, is it not?

**Sir Brian Bender:** It is not simply a question of the hardware being available. A lot of farmers have PCs, it is a question of whether they have the skills to use them for this purpose. They are moving up the curve very quickly on these issues and it is part of the Department's planning and strategy to increase that rapidly.

**Q73 Mr Jenkins:** Do we have a projected cut-off date for the paper-based system?

**Mr Hunt:** What we are doing at the moment looking forward in the next programme is working out a take-up strategy. We liaise closely with the Office of

the E-Envoy on all these issues. I do not think it is Government policy at the moment to actually do away with or limit the number of channels. There are individuals out there who do not have a computer who might prefer to use the telephone or who might prefer to use paper and at the moment the Government policy seems to be we accommodate those channels. We are trying to move as many people as we can to on-line because of the efficiency benefits that come there, but I do not think it is on our agenda at the moment to mandate that someone must use an on-line service.

**Q74 Mr Jenkins:** This Committee basically does not care about policy, we do not look at the issue of policy, we look at value for money, how we get the most effective value for money for the taxpayer. If you are saying to me that we are not going to get the most effective use of taxpayers' money because Farmer Giles does not want to use a computer and wants to stick to his paper-based system, then I am afraid Farmer Giles has got to pay for that, not the taxpayer.

**Sir Brian Bender:** There are two comments I would make. One is the answer I gave earlier about the payment holiday for recovering costs which ministers will be coming back to fairly soon. The other is the efficiency review across government that Peter Gershon is leading, which I think will address a combination of value for money and policy, and when individual channels of communication with the Government should be cut off. These are not straightforward issues, as I am sure your constituents would recognise, but it is on the agenda in the months ahead across government.

**Q75 Mr Jenkins:** That is what I was trying to establish. I was hoping to get some sort of an indication of how close it is, when the date is and when there will be a cut-off date. Basically out there most of the industry would look forward to this. That is the problem. We are dealing with a very, very diverse industry. We are dealing with people who are 100% accurate and about whom we have got no doubts to people at other end who for various reasons decide to confuse and camouflage the situation they are in. The vast majority of people in the industry would want you to bring pressure to bear on those people within their industry who do not abide by the rules and who cost them a lot of money.

**Sir Brian Bender:** I accept that.

**Mr Hunt:** Where we are with the Office of the E-Envoy at the moment is that they have set targets for take-up and we are ahead of the game on those. By the end of 2005–06 we hope to exceed the 50% take-up. I think that you have to get to a critical mass. The example that is in the Report about Holstein UK is very interesting on this one. They moved their members over to a telephone service and when they got enough of them onto that service, the 10% hard core who were never going to do away with paper, they felt strong enough to mandate that they would not take paper and the majority of those members

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 Department for Environment, Food and Rural Affairs and Rural Payments Agency
 

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stayed with them. I think the Government, the E-Envoy and the Department need to get a critical mass of people on-line, probably more than the 50% at the minute, and then we will be in a stronger position to mandate those who are reluctant to move away from paper.

**Sir Brian Bender:** There are also incentives of course. The issue again across government is can we incentivise or disincentivise people to go on-line? These are very live issues across government.

**Q76 Mr Jenkins:** I prefer to use the term “sanctions” rather than “incentives”. What sanctions do you bring to bear on that keeper who consistently supplies inaccurate information?

**Mr Evans:** The first pressure brought to bear if the information is inaccurate and the inaccuracies are not resolved by the time any subsidy payment is cross-checked is the subsidy payment will be delayed. There will be corrections, there will be deductions and penalties on subsidies. The risk analysis model we use for selecting farmers for inspection includes as one of its elements the number of inaccuracies there are, so the more inaccuracies they give us the greater the chance of having on-the-spot inspections where the records will be examined. This can lead to whole herd movement restrictions, inspection of documents of all animals received, and animals that are not properly identified may be destroyed without compensation.

**Q77 Mr Jenkins:** I have one more question to ask and that is all. We talk constantly about comparisons across Europe. Are you satisfied that our Department costs are equal or better than our European partners on this issue?

**Mr Hunt:** I think the answer is no, but there are circumstances about the way that different countries—Denmark, Finland, the Dutch I think—have a starting point which was an industry-built-and-run database on which government could then build. I think there are other differences. Other people have come to the European Union late, and therefore were able to introduce systems that took account of all the requirements at that stage, so instead of having CTS and then having a change a year later to build in cross-checks, they were able to build one system. My view is no, we are not in the top three across Europe and that is where we want to be. Hopefully we will be up there and delivering the most effective system at the lowest cost.

**Q78 Mr Jenkins:** By when?

**Mr Hunt:** The livestock programme as part of the IT strategy is going to take until 2006, I think, before we have got the joined up core registers that we are looking for—one for customers, one for the land and one for the livestock—in a new architecture on a robust platform that allows us to deliver the system. Linked with that we must have a take-up strategy that gets people dealing with us on-line.

**Sir Brian Bender:** But the expected costs are on their way down.

**Mr Jenkins:** Thank you.

**Q79 Mr Bacon:** Mr Hunt, you almost tempt me to start where you just finished but I will stick to my original plan. First of all, I would like to say to Sir Brian thank you for your letter about the food labelling issue. I have to say the content of your letter was just as depressing as I feared.

**Sir Brian Bender:** I thought it might. It was not an intention of mine, of course!

**Q80 Mr Bacon:** Blame the Food Standards Agency for the content of the letter!

**Sir Brian Bender:** They are the lead department.

**Q81 Mr Bacon:** They are the lead department. I was not blaming anyone. Blame is the wrong word and I withdraw the word blame. I am sure it was not collusion!

**Sir Brian Bender:** I was colluding with the Food Standards Agency.

**Q82 Mr Bacon:** What I wanted to ask is whether it is right that there was a big row and a huge issue in the Department over correspondence with MPs a couple of years ago and you instituted a system whereby now when people write to the Department a letter is sent back acknowledging so at least I know or the MP knows and therefore the constituent knows he is in the system. Is that still the case?

**Sir Brian Bender:** I hope so. We also have an electronic tracking system in the Department and our record in the course of the whole of 2003 for responding within a 15-day period to MPs’ correspondence was something around two-thirds of that target, which is not good enough—

**Q83 Mr Bacon:** The point I want to get at is you started to and you still acknowledge a letter when you first receive it? I think that is the case.

**Sir Brian Bender:** I hope so.<sup>6</sup>

**Q84 Mr Bacon:** Mr Evans, when a farmer tears a card out of a passport in the normal way and sends it in to notify the Cattle Movement Service the animal has been sent for slaughter, do you send them an acknowledgement?

**Mr Evans:** No, I do not.

**Q85 Mr Bacon:** Why not?

**Mr Evans:** I receive around 6,000 of these a day and I also receive around 12,000 passports back for dead animals and 54,500 other transactions. To try and respond to all of those would place a massive cost and burden on the organisation.

**Q86 Mr Bacon:** Yes, I do see it would cost you more in postage than it already does, but when a farmer does find only months later when he tries to claim the money from the Rural Payments Agency that there is no apparent record, the organisation turns round and says and I quote from a letter from BCMS to a constituency of mine: “BCMS have confirmed there

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<sup>6</sup> *Note by witness:* All letters received from MPs by the Department are acknowledged.

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 Department for Environment, Food and Rural Affairs and Rural Payments Agency
 

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was no identification of any movement . . .” at the stated date, whereas, of course, what BCMS should have been saying is BCMS does not have any record, which is not the same thing, is it? That is a yes or a no.

**Mr Evans:** No.

**Q87 Mr Bacon:** Good, I am glad you agree with that because it is perfectly possible, is it not, that a farmer did send it in but you do not have any record of having received notification?

**Mr Evans:** It is possible that it did not arrive with me.

**Q88 Mr Bacon:** It is possible it did not arrive, it is possible it was lost in the post, it is possible that it was in some way processed in such a way that it got mislaid. I had this extraordinary situation in my surgery recently where—and, by the way, may I ask you another question. On the agenda paper it says Sir Brian and Mr Hunt come from Defra and you come from the BCMS which is under the heading Rural Payments Agency, so you are basically part of the Rural Payments Agency?

**Sir Brian Bender:** As I said earlier, I decided to merge the BCMS (which had been part of the core Department) with the Rural Payments Agency largely as a result of the issues that arose over the cross-checks and having them under two separate managements.

**Q89 Mr Bacon:** A couple of weeks ago I had an issue in my surgery where the farmer explained to me that he was having to arbitrage or negotiate or persuade BCMS to talk to the RPA. I was staggered when I first heard about it. It appeared that you are still two completely separate organisations and he was having to make sure that one was talking to the other.

**Sir Brian Bender:** If you would like to give us the detail I will follow that up because the merger—

**Q90 Mr Bacon:** I was hoping Mr McNeill was going to be here today and I was a bit disappointed to see he was not. Perhaps he saw my letter and decided not to come.

**Sir Brian Bender:** Can I say the general thrust of your questions causes me to say the Cattle Statements that are referred to in the Report, that were issued at the end of January, are designed to resolve this issue once and for all. If you want, Mr Evans can say rather more about how the system works.

**Q91 Mr Bacon:** No, I will not because I have not got a lot of time. What I would rather do is move on to page 25 of the Report. In paragraph 2.43 it says that most other Member States do provide keepers with feedback on notifications made, which enables errors and omissions to be rectified. Just above that it refers to Better Quality Services Review in 2000. If you turn to page 42 there is even a photograph of the Better Quality Services Review document, just in case you were unaware what it looks like. It says at the bottom: “The British Cattle Movement Service needs to address the issue of high error rates by

moving to a system of web-based data entry, and improving the paper-based system.” If you now go back to page 24, in paragraph 2.39 it says: “The service has already surpassed its target of 20% uptake of e-services . . . and set itself the ambitious target of 50% web transaction uptake by 2005.” Was the word “ambitious” the subject of negotiation in the way that there sometimes is between you and the NAO before you finally got that word inserted?

**Sir Brian Bender:** Maybe the NAO can answer. I do not recall it being—

**Q92 Mr Bacon:** It seems pretty wet that three years after you introduced a system and four years after you were recommended to get a web-based system—

**Sir Brian Bender:** There is a difference between provision of the service and take-up, and that is something again across government where Departments realised that having a 100% target of availability was the wrong target. The thing that matters is take-up and 50% is ambitious across government. We believe that we are on track to achieve it.

**Mr Bacon:** I did notice, Sir Brian, you said earlier it was one of the highest take-ups of any systems in government. This comes back to a point raised by Mr Jenkins and Mr Steinberg. When I was first elected as Member of Parliament I went to see a representative of the NFU. I left the local office of the NFU at about 7.30 and at about quarter past eight I had a call from a local farmer who said, “How was your visit to the NFU?” I said, “How did you know?” and he said he had read about it on the Internet. The NFU had put it on and the farmer had been and read it within three-quarters of an hour. My experience of farmers—and I speak to farmers a lot in my constituency—is that they are very IT-literate, very IT-focused and sometimes their feed systems are computer controlled. Referring specifically to Mr Steinberg’s point, given that they are getting taxpayers’ money for this why do you not just say to them, “If you want this money, you do it this way either on a computer or through a call centre or you do not get it” and you eliminate the errors? I notice the Dutch system—which has been referred to, on page 24—is two-fifths the size of Britain but that is still a lot of cattle. There is the Holstein system—and I have a lot of Holstein herds in my constituency—which has achieved massive cost savings with the new system. Who designed this ludicrously archaic system which requires, and I quote from page 44 of the Report—and may I say I am always very impressed with your page 44s because your last page 44 on clinical suspensions was also very good—paragraph 5, Appendix 3: “. . . a single sale of an animal through a market required three people to make official notifications.” And then there is a focus group member, presumably a farmer, who says: “It is still an archaic system when you’ve got to keep sending off these \*\*\*\*\* cards.” I imagine the NAO decided that it was not quite the right word.

**Chairman:** That is a Campbell expression!



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 Department for Environment, Food and Rural Affairs and Rural Payments Agency
 

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**Q93 Mr Bacon:** Who designed a system that required three people to get involved? Why did you not go for the computers at the start and why do you not now say, "If you want to get involved in this and you want to have money, then you jolly well use the computer"?"

**Sir Brian Bender:** To answer the first part of your question, I do not think the farmers in your constituency are necessarily typical of those across the country. For some of the smaller hill farmers, the more elderly farmers, there are more problems in computer literacy.

**Q94 Mr Bacon:** They have got telephones.

**Sir Brian Bender:** Well, we are moving rapidly—

**Q95 Mr Bacon:**—So you give them two choices but you do not give them a third.

**Sir Brian Bender:** In a sense there is a combination of efficiency and policy judgment in deciding at what stage one says to customers of government who have rights and responsibilities, "You will not get this service unless you do this . . ." The same could apply to benefits and many other issues; these are not straightforward questions. Now, you did ask a direct question.

**Mr Evans:** We have had computer access to the system since day one in 1998 and we have improved it consistently. The number of notifications that we must receive for an animal moving through a market is three. These can all be made by the same person and often are made by the same person in the market acting in as agent for the purchaser. It adds value to their service and it ensures that the data arrives with me completely and consistently. We encourage that. We always welcome an intermediary that adds value. For the number of notifications through the market in a simple trade between keepers, we made both parties identify themselves to increase the chance of us hearing from at least one of them. Once I have heard from one of them I can speak to them and pursue a query in the event the two parts do not match. If we had just one notification, while the system was new, we would not hear at all about the other.

**Q96 Mr Bacon:** Paragraph 4.2 on page 33 goes on about the technical limitations of the CTS system. I will not go through all the points there but there is a catalogue there. Who designed it? Which consultant helped you?

**Mr Evans:** The consultants involved at the time were PA Consulting and the development was carried out by the Department's in-house supplier—

**Q97 Mr Bacon:** It has now all been upgraded?

**Mr Evans:** Yes, it has all been upgraded.

**Q98 Mr Bacon:** It is the same consultants doing it or have you sacked them?

**Mr Evans:** The consultant involved who is providing the new system now is Defra's internal supplier.

**Q99 Mr Bacon:** So you have sacked the external consultants?

**Mr Evans:** PA Consulting were not used in the selection of the new equipment we are putting in.

**Q100 Mr Bacon:** Did they bid for it or were they not invited?

**Mr Evans:** They were not involved.

**Q101 Mr Bacon:** What is the total cost so far this year up to now and for what you are planning in the future for this IT? You could perhaps put it in a note?

**Mr Evans:** The total cost of IT to date since 1999 is £25.6 million.

**Q102 Mr Bacon:** In the future for what you are planning?

**Mr Evans:** That will depend on the degree to which it is redeveloped to merge with the Department's core database, but I expect the running costs to be lower in the future because we are moving to a more standard industry norm product with a resilient database.

**Mr Bacon:** Thank you very much.

**Q103 Mr Williams:** Mr Evans, the staff numbers at BCMS now are more than double what you estimated they were going to be in 1998. Where did you go wrong? What is new since you made those calculations? It may not be you personally but you as an organisation?

**Mr Evans:** We have put all the animals in the national herd into a national database. Early on there was a progressive build up. We did a census in the year 2000 and caught all the old animals, about which less detailed information was available. As these animals moved from the breeder to their owner at the time no information needed to pass with them so their exact date of birth and breed was not known.

**Q104 Mr Williams:** But did you not envisage this workload when you were estimating your staffing requirements?

**Sir Brian Bender:** The initial requirements the European Union set in 1996 related to cattle born after 1996. The next stage was to cover the whole herd, which was another four million or so animals, with the complexity Mr Evans described. The next stage was the link into subsidy schemes, which has caused the particular hump and set of problems. There has been a progressive development of requirements which has led to what I hope is a hump which is now on the way down.

**Q105 Mr Williams:** So what are the staffing costs of your organisation then?

**Mr Evans:** It is around £13 million a year.

**Q106 Mr Williams:** And we are told that two-thirds (that is over £8 million) are actually just correcting errors, so out of 700 staff 450 are correcting errors. Is that correct?

**Mr Evans:** Two-thirds of all the operational staff are involved directly in pursuing queries and sorting out anomalies.

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 Department for Environment, Food and Rural Affairs and Rural Payments Agency
 

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**Q107 Mr Williams:** So it is costing the taxpayer £8 million. I have looked at Appendix 5 where we look at performance in our country compared with others, this is on page 48, and there are some strange figures there. This is probably for you, Sir Brian. In figure 25 on page 48, ear tags cost up to eight times higher in Britain. Eight times?

**Sir Brian Bender:** Mr Evans is an expert on these matters.

**Q108 Mr Williams:** I will not comment yet.

**Mr Evans:** This was information I found which the NAO have taken from some benchmarking reports comparing our service against those in other Member States. This particular example was a Member State that purchased all ear tags for all the cattle in the country, itself. There was a single model in use and a single national contract.

**Q109 Mr Williams:** That was inconceivable, was it?

**Mr Evans:** It did not fit with what our policy on animal identification is, where we have specific numbers assigned to herds. Each natal herd in this country has a herd number so we can identify animals that are born into it. This other Member State did not have that. It simply allocated a sequence of numbers on a national basis to the keeper, so from an examination of the animal you could not identify whether it belonged to the same herd or another.

**Q110 Mr Williams:** If you look across the page at the Netherlands' experience in relation to ear tags: "Ear tags there are bar-coded to allow automated reading at markets and slaughterhouses." Do we do that?

**Mr Evans:** We do not do that.

**Q111 Mr Williams:** Why not?

**Mr Evans:** Bar codes on the ear tags are easy to misread. The animals get dirty, the bar codes cannot be read.

**Q112 Mr Williams:** The Dutch seem to be able to read them. Do they issue them with glasses as well as ear tags?

**Mr Evans:** Our preferred solution would be electronic identification with a microchip to provide a much higher accuracy of reading.

**Q113 Mr Williams:** It also says that in this particular area the use of leading zeros on British tags contributes to recording errors so this more "sophisticated" system, which you seem to be implying that you have, seems to be contributing to a lot of the mis-information.

**Mr Evans:** There is confusion amongst farmers as to whether they should use the leading zeros when writing down the identity of a dam. Many did not use it and the requirement is that it is there.

**Q114 Mr Williams:** Do other people use leading zeros? If they are the source of a problem why not eliminate them?

**Mr Evans:** We believe we have more or less eliminated this with the latest tagging format which includes an algorithm, so all the numbers must be present and must be legible to provide a basic check that the number that has been entered is plausible and is correct.

**Q115 Mr Williams:** We look at the next item, registering births. Births are registered quicker and at lower cost in many other Member States. It seems on almost every count here—data validation, which is the next one—anomalies in passport applications are 30% in Britain and Italy, 8%, that is one-quarter, in Ireland, and 5%, one-sixth, in France and Germany and very few in Denmark and Finland. Why do we seem to get everything wrong? I can understand that we might not be good at one thing but compensate for that by being better at others, but it looks as if everywhere we are down near the bottom of the pile.

**Mr Evans:** On any specific point it is fair to say that others might have had a better approach to us. My purpose of looking at other systems and providing this information was to try and find the best of breed, as it were, for every element in the system and try to see if we can plot a path towards that.

**Q116 Mr Williams:** Then we look down at efficiency, again in that same figure 25, and the ratio of headquarters staff and agents in relation to the number of animals registered. It is one member of staff to 5,000 in Britain, one member of staff to 10,000 in Austria—that is half the amount—1:12,000, less than half the amount, in Sweden, 1:20,000 that is a quarter of the amount, in Finland and 1:40,000, which is an eighth of the amount, in Denmark. That little section there is an unbelievable indictment of inefficiency at an operational level. Do you not see it as that?

**Sir Brian Bender:** It is unsatisfactory. The work that we are doing—

**Q117 Mr Williams:** It is less than unsatisfactory, Sir Brian.

**Sir Brian Bender:** Mr Williams, the work we are doing on cattle statements and on improving electronic take-up will improve these figures dramatically so I would expect to see BCMS staff who are dealing with correction of errors—

**Q118 Mr Williams:** Sir Brian, I understand you are trying to improve things, we are not suggesting you are not, but even if they improve dramatically when you are looking at ratios of one-eighth and one-quarter in another sector and so on, it has not got to improve dramatically, it has got to improve on an astonishing scale to get up with the best. When are we going to be anywhere near the average let alone the best?

**Mr Hunt:** As the Report says and, as been mentioned already, if we can get people on-line then the error rate we expect is 1%.

**Q119 Mr Williams:** How do we get people on-line when half the farmers do not have computers?

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 Department for Environment, Food and Rural Affairs and Rural Payments Agency
 

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**Sir Brian Bender:** Through more computers.

**Q120 Mr Williams:** Who is going to pay for those?

**Sir Brian Bender:** The trend is going upwards rapidly. In the answer I gave to one of the members of the Committee earlier I said what we are doing through UK On-Line Services and the use of third parties to do this. As we have also said, we are looking for 50% on-line registration by the end of next year. This is rapidly developing in the right direction. The question, as a number of members of the Committee have put, is how we can make that move faster to cut off other forms of notification.

**Q121 Mr Williams:** Why is it that some countries can be 100% electronic and automatic and we have such an abysmally low percentage?

**Mr Hunt:** To go back to the historical factors in some countries—their industries have seen the importance of technology built around databases for reasons not necessarily of disease control but for other farming reasons, for their information, and therefore the governments have been able to deliver the EU requirements on the back of those systems and they work far more efficiently. Because the farmers get value-for-money systems it is not seen as the government imposing an EU requirement and they are therefore more likely to comply. That is where we have got to move to. The other thing I would say is, it is not just taking forward the programme of looking at getting farmers to use their computers; we are looking very closely at the telephone but also third parties. There is a huge amount we feel could be done here. If you look at software manufacturers, if we can get our farmers to take software that helps them manage their farm and those software manufacturers can actually build in our requirements so that data can be easily transferred to us, then that would be a good thing. The other thing is to use agents.

**Q122 Mr Williams:** Why can the British farmer not do what the Continental farmer can do?

**Sir Brian Bender:** There is an issue of the starting point. The Dutch had a database owned by the industry, based on what their breeding societies had done, which the government was able to take over; we did not have that. There is a history in a lot of Member States of a better sense of partnership between the farming industry and the government, a shared perception of what the mutual interest is. We have to work on that in this country, not in the sense Mr Trickett was inferring but—

**Q123 Mr Williams:** What is amazing is the industry is so dependent on government and on central funding and yet it does not seem to have done much itself to get this better partnership, does it? It does not seem to have any motivation to do so because you pay. Who pays when we get fined by the EU?

**Sir Brian Bender:** The taxpayer pays. At the risk of opening up another flank from Mr Trickett, the purpose of our Animal Health and Welfare Strategy

is to try and get a better sense of shared responsibility between the government and the industry on who should be doing what.

**Q124 Mr Williams:** They share the responsibility once they start sharing the cost, then they begin to understand what responsibility means.

**Sir Brian Bender:** I agree with you, Mr Williams.

**Mr Williams:** We end on a note of agreement.

**Chairman:** Just a few supplementary questions if you do not mind. Mr Gerry Steinberg?

**Q125 Mr Steinberg:** Just a couple of quick ones. It seems to me that electronic identification is clearly the way forward, there is no doubt about that at all. Could you tell us what progress has actually been made on that and how quickly we can expect some sort of system to be brought in? Just put me right on one other point, does Workington also include sheep in their brief or not?

**Sir Brian Bender:** On your first point, Mr Hunt may want to elaborate but we have yesterday let a contract with ADAS for piloting the electronic ID of sheep. So that pilot will begin and I think it is not going to report finally until next year but it will give some interim results in the course of this year—70,000 sheep—to look at the practicalities, costs and benefits of electric ID. The EU agreement, as I said in a supplementary memorandum to the Committee before Christmas, requires electronic ID for individual sheep by 2008. We are piloting it now.

**Mr Evans:** At the moment we deal with the cattle business only. The database we are migrating to now and developing is built to offer multi-species capability so when individual identification of sheep is required—

**Q126 Mr Steinberg:** So you could handle that?

**Sir Brian Bender:** That will be their responsibility.

**Q127 Mr Steinberg:** Fine. Finally, the last point is that paragraph 4.27 on page 38 shows what can happen and how quickly things can change in terms of calculation of finance. We are talking about in December 2001 initial combined costs of over £200 million and then I think, if I am reading it rightly, in 2003 the calculation of the cost totally changes and then if you put that in line with the beginning of paragraph 4.25 which says: “The projects developing the Cattle Tracing System and the Animal Movements Licence System are being supplied by the Department’s IT division using established government agreements with suppliers” that paragraph then terrifies you because we have seen what happens to IT projects with government suppliers and how costs escalate, in some terms even double in cost. Are you feared that that may happen here and do you really think that perhaps there should be a cooling down period before these sorts of contract are gone into?

**Sir Brian Bender:** I am not sure “cooling down period” is the right phrase but we are looking at the business case again now in the light of the Department’s own IT strategy (which is referred to in the Report) the work we have been doing recently

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 Department for Environment, Food and Rural Affairs and Rural Payments Agency
 

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on e-services take-up and the December Agriculture Council agreement, and the aim will be to have an updated business case by June. That will look at the costs and benefits once again and work forward from that.

**Q128 Mr Steinberg:** You will not be coming back in two years' time and saying "Well, the IT was difficult, we could not get the software, unfortunately we have got to the Report and it has doubled in cost", because if you do not you will be the only department who has not said that.

**Sir Brian Bender:** This chapter of the NAO Report gives us a cautiously positive assessment of our risk management for future projects. This is a risky project; it would be folly of me to say there are not going to be any problems.

**Mr Steinberg:** I will read about it in two years' time in the newspapers or find it on the web.

**Chairman:** Thank you, Mr Steinberg. Mr Bacon?

**Q129 Mr Bacon:** I am not actually sure which I find more frightening, your in-house people trying to do it alone or your trying to do it with the help of consultants. Certainly the experience of using consultants does not seem necessarily to help. That is my first question.

**Sir Brian Bender:** Can I comment because—

**Q130 Mr Bacon:** I have not asked the question yet. How was it that this system developed from 1998 became obsolete so quickly? Why was it designed in such a way that Mr Hunt here is now saying we have asked for a new architect?

**Sir Brian Bender:** In order to answer that question can I just look forward for a moment—

**Q131 Mr Bacon:** I am coming on to that.

**Sir Brian Bender:**—The Department is contracting out its strategic IT supplier. We hope to conclude a contract in July for the whole of the Department's IT services with a major company.

**Q132 Mr Bacon:** Out-sourcing it?

**Sir Brian Bender:** There are two short-listed companies, IBM and Cap Gemini Ernst Young, so we will be partnering with them for future development issues.

**Mr Hunt:** Thank you for being able to come back here. I was concerned about the comment about PA Consulting. It is not for me to be a friend of consultants—

**Q133 Mr Bacon:** I used to represent them!

**Mr Hunt:** I share concerns but I have been advised by people from the in-house ITD section of Defra that going back to the original development of CTS a conscious decision was made to use something called Unidata, an IBM platform. Everyone knew at the time that was going out of business but—

**Q134 Mr Bacon:** A conscious decision was made to use it? Why? Was it cheap?

**Mr Hunt:** I think the key issue was we needed something very quickly in terms of CTS and all in-house staff expertise was on that system. It was the pressure of the timing that forced that route. As I say, I am not here to support external consultants but my advice from the internal ITD people is that is—

**Q135 Mr Bacon:** Two more very quick questions. On page 35 it refers to the programme, as Sir Brian mentioned, being high risk. Funding of £136 million has been allocated including £46 million capital investment, paragraph 4.9. This Report is now obviously a couple of months old. Is that still what you are expecting the money to be or are there now some more up-to-date figures than that?

**Mr Hunt:** That £136 million was broken down for the SR2002 period into £20 million, £48 million and £68 million. This year because of the delays on the sheep ID it can go a bit slower now, we have handed back £5 million so it is only £15 million this year. Next year we have reduced it to £40 million so the total figure now instead of £136 is £123 million and I am still optimistic that that will be sufficient. In terms of whether it is capital spend or not, if our outsourcing is for a service deal then we may not be spending capital, it may be a service charge. That is the budgetary position.

**Q136 Mr Bacon:** Understood. Finally, Sir Brian, I was struck by your comment about how on the Continent there is a close relationship between the ministries of various countries and the farming community. May I offer a suggestion. The Royal Norfolk Show, England's premier agricultural show, this June will have once again, I hope, a stand from Defra. There was a lot of comment last year that while there were obvious pictures of frolicking stakeholders of various kinds, pictures of scientists in white coats with microscopes and everything else, there did not appear to be a farmer anywhere in sight and they feel rather unloved and ignored. While I am sure that that is a complete travesty of the true situation, if you were to make them feel that you actually know who they were by referring to them in your stand I am sure they would appreciate it.

**Sir Brian Bender:** I will ensure that those responsible for the design of the stand have your comments, although I trust they will not cut across Mr Trickett's concerns about collusion with farmers.

**Q137 Chairman:** Sir Brian, I am sure you will be having an effective stand at the nation's premier agricultural show, the Lincolnshire show. On a more positive note to end with talking about the new livestock identification and tracing programme, would you like to say a bit more about that how you believe the benefits to the industry are going to outweigh the costs and burden to the livestock industry?

**Sir Brian Bender:** First of all on a question you did not ask, let us repeat that we are handling that through best Office of Government Commerce advice on risk management of programmes and some of the lessons learnt on previous IT projects,

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**Department for Environment, Food and Rural Affairs and Rural Payments Agency**

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not least ones which this Committee has looked at. The benefits will relate to better quality data, faster and wider access to data, more reliable systems, ability to deal with ID for individual sheep and to come back to the sort of the comment I made in one of your earlier questions from maybe yourself, Chairman, to move towards a situation where there is a shared understanding between government and the industry that traceability in the system enables the industry, which is paying much of the cost of the charging and so on for cattle tracing and other

things, to sell their product at a better market price because it is traceable. That is the win/win we are aiming at. We are not there yet.

**Chairman:** Gentlemen, thank you very much for this hearing. You have heard our line of questioning. I am sure in our Report we will want to return to the issue of how we can eliminate duplication between systems and express concern about the fact that two-thirds of BCMS staff apparently are correcting errors. Thank you very much for your evidence, we are very grateful.

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**Memorandum submitted by the Department for Environment, Food and Rural Affairs**

There have been two significant developments since the publication of the NAO Report: an EU Regulation on Sheep and Goat Identification has been agreed; and, following the success of the pilot for paper statements for the Cattle Tracing System, the Project Board has agreed that the system should be launched nationwide. The following provides further details of the implications of these developments for the Committee's information.

**SIGNIFICANT DEVELOPMENTS SINCE PUBLICATION**

*1. Sheep identification*

Reference: paragraph 4.13

On 17 December 2003, the European Union (EU) agreed a regulation on improved sheep and goat identification. The UK Government negotiated considerable concessions to the original proposal. Among the major concessions won are the removal of the requirement for individual animal recording on paper documents and a provision to allow Member States to maintain their national systems provided they comply with Community rules and do not compromise traceability. National Systems will need to be approved by the Commission. The new rules also provide for the introduction of electronic identification from 1 January 2008. The Commission is however required to produce a further report on the technical aspects of EID by 30 June 2006.

The Department believes that the existing system in GB offers better traceability than the one which has been adopted by the EU. Although the EU system provides for double tagging of each animal on the holding of birth, it does not require any interim movement identification or individual recording, and does not therefore provide traceability between holdings. Our existing system in England, which was enhanced after the 2001 Foot and Mouth Disease outbreak, does provide traceability between holdings. The Department is hopeful that the European Commission will approve it as an operational national system until the end of December 2007. We need to review the new requirements against our existing rules to see what, if any, changes need to be made, but think it unlikely that there will be any significant new burdens imposed on the industry from the implementation date for the regulation, 9 July 2005, providing our system is approved by the Commission.

Other amendments which will benefit the UK industry are:

- no double tagging (subject to European Commission approval of national system);
- lost tags can be replaced with a tag with a new code provided traceability is not compromised;
- provision for extensively reared animals to be identified within nine months instead of six;
- the extension to the proposed implementation date for mandatory electronic identification of sheep and goats to 1 January 2008.

Although the Department recognises that electronic identification (EID) is the way forward if individual animal recording is to be introduced from 1 January 2008, we remain concerned at the mandatory introduction of EID without a cost benefit analysis being produced. This view was made clear at Council. We will be watching EID developments closely and will be feeding in our experiences from our own EID trial for the Commission's report.

## 2. CTS Statements

Reference: paragraph 2.43

Following a pilot issue of paper statements in November, the Project Board for the CTS Statements confirmed the decision to launch the product nationwide. The feedback from the pilot had been positive, and a few cosmetic changes were made in response to this. Statements are on course for issue during the week ending 30 January 2004. Printing of the guidance notes and covering letters (in English and in Welsh) has already taken place with posting commencing on Wednesday 14 January to all keepers in GB. The communication package has also been released to all interested parties. Submissions have been put to the relevant Ministers, and the drafts for Wales and Scotland sent to the devolved authorities. The extract of information from the Cattle Tracing System computer database took place on Tuesday 13 January. After that, the series of steps leading up to the issuing of a statement to every registered keeper in GB culminates in the posting of approximately 119,500 CTS Statements via mailsort in the period 26–29 January.

27 January 2004

### **Supplementary memorandum submitted by the Department for Environment, Food and Rural Affairs**

QUESTION 22 (MR STEINBERG): PROSECUTIONS

*Number of prosecutions in 2003*

The Department's statistics show that in 2003 there were 16 successful prosecutions in England and Wales concerning offences committed under livestock identification and tracking legislation. Of these, 12 cases were prosecuted by local authorities and four by Defra. They all concerned cattle. In response to Mr Steinberg's particular concern, the Department is aware of three cases currently being investigated by local authorities in respect of illegal activities involving vehicles containing sheep at markets.

*Further information*

Non-compliance with identification and tracking regulations can vary widely from simple mistakes to deliberate intent to flout the regulations. Results of inspection programmes and experience in handling casework indicate that most non-compliance falls into the category of errors and misunderstandings, and can be remedied by education and warnings. Enforcement agencies use a wide variety of measures to ensure compliance, appropriate to the level of the offence.

*Enforcement Concordat*

The Department and local authorities work to the Enforcement Concordat produced by the Cabinet Office in enforcing livestock identification and tracking regulations. It says that enforcement should be proportionate and that any action taken should be in the public interest, and goes on to recommend that businesses should:

- receive clear instructions from enforcers of what they need to do and by when;
- have opportunities to resolve differences before enforcement action is taken, unless immediate action is needed;
- receive an explanation of their rights of appeal.

This means that prosecution should not be viewed as a first resort in tackling non-compliance. Enforcement is a process that includes advice and education.

*Guidance and education*

The Department, its agencies, and local authorities issue guidance to keepers, which is up-dated regularly. There are web-sites available for all species, and BCMS operates its own helpline for cattle keepers. BCMS arranges workshops and presentations to demonstrate CTS Online and any other new initiatives, such as the new Statements.

*Inspections*

The 85 local authorities who had signed up to the Framework Agreement (see below) by December 2003 reported that they had undertaken 73,444 inspections covering livestock identification and tracking (England and Wales). As part of the annual inspection programme of cattle holdings required by the European Commission, the RPA inspectorate inspected a further 7,766 farms. Existing business rules ensure that cattle holdings selected for inspection by RPA are not duplicated by local authorities.

These resulted in enforcement activity ranging from oral warnings to investigations with a view to prosecution, as illustrated in the table below.

#### *Other sanctions*

For cattle only, there are specific sanctions set out in the European Commission's regulations. These can sometimes have a greater punitive effect on a business than a prosecution fine, and were applied in England, Scotland and Wales in 2003 as follows:

- 6,320 cattle were restricted to holding, and not allowed to move until brought into compliance with the regulations;
- 143 farms had their entire cattle herd restricted to holding because more than 20% of their cattle did not fully comply with the regulations; some of these restrictions are still in place, and will not be lifted until the problems are resolved;
- 42 cattle on 3 holdings were slaughtered without compensation because they were unidentified and their identification could not be proved within 48 hours.

Also, for cattle, the checking of Common Agricultural Policy (CAP) bovine subsidy claims against the information held on the Cattle Tracing System (CTS) computer database, does result in cases of subsidy penalty. As these subsidies are often a significant proportion of a farmer's income, this is another incentive to comply with the identification and tracing regulations. Cattle keepers now have CTS Statements to help them ensure that their records are correct.

#### *The Framework Agreement and the Animal Movement Enforcement System (AMES) database*

The Framework Agreement with Local Authorities for the delivery of services in Animal Health and Welfare is backed by a national database. By 31 March 2004, it will provide a consistent approach to undertaking and recording inspection and enforcement across England and Wales. Discussions with Scotland are at an early stage.

There are 170 authorities in England and Wales with a statutory responsibility to enforce animal health and welfare legislations (which includes identification and tracking). The Framework Agreement and AMES will ensure that information is available to the Department and shared between local authorities in a consistent way by having:

- risk-base approach to inspections;
- input of veterinary risk to activity planning;
- regular local liaison with Divisional Veterinary Managers of the State Veterinary Service;
- guidance from Defra on expected activities and benchmarked levels;
- provision of management information.

The AMES database is being developed with local authorities to provide enforcement and inspection data. The table below illustrates the kind of management information which will be available to Defra and local authorities. Information can be referred to other local authorities, and the histories of farmers and transporters checked.

#### ANIMAL MOVEMENT ENFORCEMENT SYSTEM DATA FOR ALL 2003

NB AMES was rolled out during 2003. Not all Local Authorities (LAs) started to input data as soon as they were on the system. The figures below relate to those LAs that were using the system during part or all of 2003. This will be some way short of the total number of activities carried out in England and Wales.

From April 2003 onwards the main agricultural counties were able to use the system.

Jan 03 to April 03—22 LA on system

April 03 to Oct 03—41 LA on system

Oct 03 to Dec 03—85 LA on system.

#### NUMBER OF INSPECTION ACTIVITIES CARRIED OUT IN 2003

##### *Report Criteria*

Report Type: Activity Group

Type: Activities with Premises and/or Hauliers

Activity Date From: 1 January 2003

Activity Date To: 31 December 2003

<i>Activity Group</i>	<i>Total</i>
Abattoir	2,645
Business Advice	5,965
Farm	14,802
Knackers/Hunt Kennel	129
Market/CC	14,323
Point of Entry	11
Record Reconciliation	13,940
Show	443
WATO	21,186
<b>Total</b>	<b>73,444</b>

ENFORCEMENT ACTION TAKEN IN 2003

*Report Criteria*

Report Type: Result Code

Type: Activities with Premises and/or Hauliers

Activity Date From: 1 January 2003

Activity Date To: 31 December 2003

<i>Result</i>	<i>Prosecution initiated</i>	<i>Conviction achieved</i>	<i>Prosecution withdrawn/ Discharged</i>	<i>Subject To Appeal (recordable)</i>	<i>Home Office Caution issued (non recordable)</i>	<i>Written Warning issued (non recordable)</i>	<i>Referred to DVM General Licence removal</i>	<i>Oral Warning given</i>	<i>Written Advice issued</i>	<i>Oral Advice given</i>	<i>No Further Action required</i>
Sheep/Goats Movement Document	10	0	0	0	3	403	0	467	858	1,261	14,865
Pig Movement Document	0	0	0	0	0	13	0	20	99	84	2,326
Cattle Movement Records—Held on farm	37	4	1	2	6	76	0	67	178	283	5,780
Cattle Passports	29	2	0	0	3	48	0	68	60	200	8,247
Cattle Identification (Ear Tags)	47	4	0	0	14	326	13	236	568	320	7,926
General Movement Licence requirements	4	0	0	0	3	107	1	13	20	48	1,516
Specific (individual) Movement Licence	2	0	0	0	1	4	1	3	36	53	407
20 day standstill period (Cattle)	1	1	0	0	2	20	0	5	14	40	914
20 day standstill period (sheep/ goat)	0	0	0	0	2	105	0	16	137	146	878
20 day standstill period (pigs)	0	0	0	0	1	16	0	7	17	15	635
6 day standstill period (cattle)	8	1	0	0	12	109	0	16	36	86	2,467
6 day standstill period (sheep/ goats)	20	0	1	0	51	517	1	131	471	249	4,149
Multiple Pick-Up (including approval of site)	5	0	0	0	0	22	0	12	16	36	482
Market Stock Movement records	0	0	0	0	0	0	0	3	2	33	793
Pig Movement Records—held on farm	0	0	0	0	0	4	0	9	25	40	793



<i>Result</i>	<i>Prosecution initiated</i>	<i>Conviction achieved</i>	<i>Prosecution withdrawn/ Discharged</i>	<i>Subject To Appeal</i>	<i>Home Office Caution issued (recordable)</i>	<i>Written Warning issued (non recordable)</i>	<i>Referred to DVM General Licence removal</i>	<i>Oral Warning given</i>	<i>Written Advice issued</i>	<i>Oral Advice given</i>	<i>No Further Action required</i>
Pig ID—(Ear Tags/Tattoo/Slap Mark/Temp marks)	0	0	0	0	0	11	0	12	51	48	1,271
Sheep/Goat Movement Records—held on farm	16	0	0	0	3	103	0	98	306	370	4,628
Sheep/Goat ID—(Ear Tags/Tattoo/Temp. marks)	3	0	0	0	0	63	0	141	62	317	9,587
<b>TOTAL</b>	<b>182</b>	<b>12</b>	<b>2</b>	<b>2</b>	<b>101</b>	<b>1,947</b>	<b>16</b>	<b>1,324</b>	<b>2,956</b>	<b>3,629</b>	<b>67,664</b>

**QUESTION 35 (MR STEINBERG): MONITORING SHEEP**

Sheep and goat movements in England (and Wales) are recorded in batches. A batch is not of a uniform size. It can be as small as a single animal, and can comprise up to around 400 animals (determined by the size of the lorry and its trailer).

When sheep or goats are moved, the person sending the animals is required to part-complete a movement document. This document includes details of the animals being moved, including numbers, flock marks and, for animals being moved out of a market, the market lot number. On arrival at the premises of destination, the recipient of the animals completes the movement document, recording, amongst other details, the number of animals received. The completed form is then sent to the local authority, who enter the details of the movement into the Animal Movements Licensing System (AMLS). In future, Defra propose that markets will be able to enter these data electronically direct into AMLS.

Unlike the system that pertains when cattle are moved, both the start and the endpoint of a movement are reported at the same time using the same document. With regard to sheep, therefore, there is no hiatus during which one or other of these points is unknown in regard to any given movement.

Recipients of livestock have three calendar days in which to report movements of sheep, as they do with cattle. There will, therefore, be at any one time a number of movements that have taken place that will not have been reported. It is not possible to state exactly how many this will be. The average number of sheep movements reported daily is around 2,000, although there are considerable seasonal variations. The number of sheep involved will also vary considerably, because there is no uniform batch size. The Department is setting up a pilot scheme whereby markets will be able to report movements electronically direct into AMLS. Once operational, this will reduce the delay between movements taking place and the record of a movement being reported.

**QUESTIONS 45–57 (JON TRICKETT): BCMS STAFF**

The cost of £13 million for labour at BCMS relates to the 2003–04 financial year rather than the 2002–03 financial year reported on by the NAO. These costs covered additional work not undertaken during 2002–03 relating to an exercise to clear the backlog of movement anomalies on hand and to launch and load the first Cattle Tracing Scheme transaction statement.

*1 March 2004*