Regulatory Policy Committee	**Validation of the One-in, Two-out Status and the Net Direct Impact on Business**
Validation Impact Assessment (IA)	The Agriculture (Model Clauses for Fixed Equipment) (England) Regulations 2015
Lead Department/Agency	Department for Environment, Food and Rural Affairs
IA Number	DEFRA1697
Origin	Domestic
Expected date of implementation	SNR10
Date of Regulatory Triage Confirmation	n/a – Red Tape Challenge
Date submitted to RPC	27 March 2015
Date of RPC Validation	8 May 2015
RPC reference	RPC14-FT-DEFRA-2352
Departmental Assessment	
One-in, Two-out status	**Zero Net Cost**
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	**N/A**
RPC assessment	**VALIDATED**

Summary RPC comments

The IA is fit for purpose. The IA sets out how some elements of the proposal will result in a monetised transfer between businesses, as a result of raising the cost ceiling for repairs for which the business tenant will be liable. The IA also describes potential benefits to both landlords and tenants from resolving existing unclear liabilities which can currently lead to disputes.

The proposal is likely to result primarily in transfers between agricultural tenants and landlords, all of whom are classified as businesses. There are, overall, likely to be also some small non-monetised benefits. The RPC is content that it would be disproportionate to monetise the benefits. The RPC can validate the proposal as zero net cost.

Background (extracts from IA)

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

"The Agriculture (Maintenance Repair and Insurance of Fixed Equipment) Regulations 1973 ("1973 regulations") need modernising to include items now in common use, to update monetary caps set at 1988 values and to provide a more pragmatic split of some existing liabilities. The new statutory instrument (the "instrument") will consolidate the Agriculture (Miscellaneous Time-Limits)

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Regulations 1959 and revoke the now redundant Agriculture (Time-Limit) Regulations 1988. Government intervention is necessary as the 1973 regulations are deemed to be incorporated into every agricultural holding made under the Agricultural Holdings Act 1986. They need updating and modernising to be fit for current use by industry."

What are the policy objectives and the intended effects?

"The policy objective is to ensure an efficient and effective agricultural tenanted sector. The new instrument will set out clearly the split of liabilities between a landlord and tenant for fixed equipment on a holding. It replaces the 1973 regulations and reduces the number of legislative instruments. The effect of these changes will be to simplify and modernise the legislative framework governing agricultural holdings in England."

RPC comments

The proposal has three elements:

- Tenants will be responsible for paying up to £500 a year for damage to roofs (up from the previous £100 limit, intended to reflect price increases for 'minor' repairs).
- Landlords who are liable for major repairs, and who fail to make those repairs within existing timeframes following a written notice, will be liable to pay the full cost of repairs immediately (up from a current £2,000 annual limit).
- Clarifying who is liable for repairs where this is not currently explicit in the 1973 Act.

The IA estimates that, as a result of tenants becoming liable for increased costs for minor repairs in around 800 cases each year, there will be, on average, a transfer from tenants to landlords of around £300,000 each year. This is a transfer from one business to another, agricultural tenants to landlords, with no net impact. The Department estimates that the change will impose no additional familiarisation costs. The Department explains that currently all tenants and landlords consult the relevant regulatory requirements prior to making or settling claims for damage. As this activity happens in the baseline, the Department, therefore, expects the proposal not to introduce new burdens in relation to checking regulatory requirements.

The Department considers that clarifying liability for repairs is likely to result in small net benefits to business. These benefits are expected to be the result of reduced uncertainty, swifter repairs, and a decreased need for the arbitration of disputes. The Department holds that, as the amount of benefit in each case is likely to be highly dependent on specific circumstances and subject to significant uncertainty, it would not be proportionate to monetise the benefits. This appears reasonable.

The RPC is able to validate the EANCB of the proposal as zero net cost.

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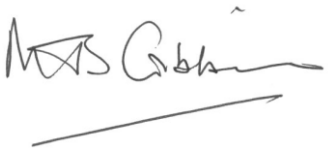
Signed		**Michael Gibbons,** Chairman

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