

**Responsibility and Cost Sharing
for Animal Health and Welfare**

final report

December 2010

England Advisory Group on
Responsibility and Cost Sharing

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Foreword

When we were invited by the then Secretary of State in September 2009 to join an Advisory Group on Responsibility and Cost Sharing (RCS) in England we recognised that we faced a difficult task. How best to share responsibility and costs in the field of animal health had been the subject of much debate and discussion between Government and stakeholders for the better part of a decade. A third consultation document had been issued that summer and still there was no consensus on a way forward. We were charged with examining the proposals at that time on the table and developing our own recommendations, and asked to report by the end of 2010. This, our final report, sets out our views on this key policy issue, one that affects all animal keepers in England and is of considerable significance to the wider UK economy and national interest.

There is no doubt that in undertaking our task we benefited from the start from the fact that our group brought together individuals with wide-ranging experience and expertise in the key issues we had to address, and we were joined by the senior civil servants with budgetary responsibility for Defra's spend in the field of animal health and welfare. But we were determined to draw on as wide a basis of knowledge as we could, and in this we have been greatly helped by the very many individuals and organisations who came to talk to us and provided us with a great deal of highly relevant information. A full list of those who have helped us in this way is at Annex A to our report, but here it is appropriate to pay particular tribute to those members who served on the two sub-groups we set up to look in more detail at governance issues and at finance and resourcing issues. We are very grateful to everyone who has helped us with our work.

Although we have been working for only a little over a year, a great deal of water has passed under the bridge in that time. Soon after we were appointed, the then Government published a draft Animal Health Bill, exacerbating the fears of many stakeholders that RCS was a 'done deal'. We were determined to ensure that it was not and made our own input to the consultation on the draft Bill. And then came the General Election and a change of Government. The new administration was sympathetic to the principles underlying RCS but not necessarily supportive of some of the features of the outgoing Government's approach and the draft Bill was withdrawn; however, the new Ministerial team was happy to confirm our terms of reference, which were anyway broadly drawn, and made clear they were not minded to take any decisions on a way forward on RCS until we had reported.

But, following the change of Government, there are two other major issues that have influenced our thinking. First, whilst the Coalition Government is content to await our report before taking any decisions, it is clear that, more generally, proposals for any new 'arm's length' bodies will not be looked on with favour. Thus a new England Non-Departmental Public Body (NDPB), as proposed by the last Government, would not, it would appear, be acceptable, at least in the near term. It might be thought that this would render nugatory any proposals for a partnership approach to RCS. We do not agree. Instead, we have sought to look for arrangements that would bring benefits from partnership working but do not depend upon a new 'arm's length' body to achieve shared responsibility. Our proposals in this regard for a new approach is focused on a new idea for an England Partnership Board. This would bring expertise external to Government into public decision-making. The Board would be made up of the senior civil servants who have responsibility for spending public money, joined by external members

representative of external stakeholders and trusted and respected by them. The external members would be in a clear majority. Our proposals are described in detail below in our report, as is our clear recommendation that, in our view, acceptable responsibility sharing arrangements, of the kind we propose, must precede arrangements for a greater degree of cost sharing.

And greater responsibility sharing is in our view even more urgent because of the second major issue we have had to address: that of the Spending Review. Again, this is considered in detail in the body of our report but here we can say that, although the importance of animal health and welfare was noted in the Spending Review, there can be no doubt that it will not be immune from cuts in public expenditure, cuts that cannot be achieved simply by doing the same things but smarter, cheaper and with fewer people, important though that may be to achieve. Animal keepers, we believe, face a stark choice: cuts will come anyway and the choice for them is whether to leave the decisions on what and where to cut to Government or to participate in responsibility sharing and thereby influence the outcomes in terms of what is done, how it is done, and who should pay.

The Partnership Board idea is a new proposition. We have not been able to find a similar model anywhere else in Government. Some will doubtless fear that this initiative will go the way of past initiatives that have promised much and delivered little. Some stakeholders have told us that, when they sit on Defra 'stakeholder' groups giving advice or opinions, it is not always clear how that input is used, if at all, to inform policy. We have worked hard in defining new arrangements not to fall into these traps. We believe the Partnership Board would create an improved systematic structure, drawing on the collective wisdom of people who genuinely understand the issues 'on the ground'. The Board will be an integral part of Defra's decision-making machinery. And it will not be a complex body, creating a new level of bureaucracy. It can be implemented quickly, and with a light touch.

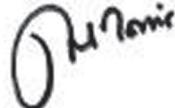
We do not claim that our proposals represent an easy way forward. There are risks involved. Unless the right people join the Board, people whom the animal keepers and other stakeholders trust and respect, it will not work. And the communication channels up and down to and from the Board have to be excellent: if they are not, the initiative will fail. It will require changes to the way everyone works: Ministers; civil servants; animal keepers and their representative organisations; vets; other stakeholders alike. But we believe that these risks can be managed and that our proposals represent the fresh start that we think is badly needed. They offer real change and the chance of genuine responsibility sharing, giving real input for stakeholders into the policy-making and delivery that affects them. We think it would be a bold decision for Defra Ministers to invite external 'non-executive directors' into the heart of the management process relating to what Defra delivers on behalf of taxpayers: Ministerial decisions will be informed by this new source of expertise and Ministers will have to explain decisions that depart from the Board's recommendations. And it would be a bold move on the part of external stakeholders to take up the challenge of collective responsibility. But the prize – reducing the risk and cost of animal disease and improving animal welfare – is in our view well worth the effort.

We commend our proposals to Government, to farmers, to other animal keepers, and to all other stakeholders as a realistic and acceptable way forward on responsibility and cost sharing: a fresh start from which all can benefit.

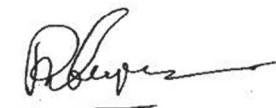
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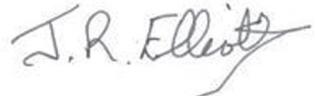
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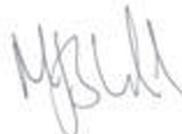
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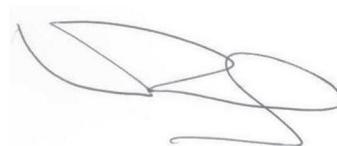
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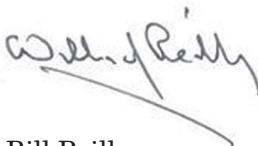
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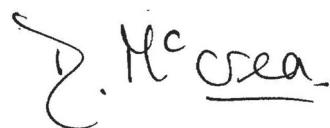
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Executive Summary

Background to the review

1. Sharing a greater degree of responsibility and costs between animal keepers and Government in England has a long history and has proved to be a complex and difficult area of policy to resolve. Various approaches to policy-making and numerous consultation exercises have not, so far, resulted in an agreed way forward (paragraphs 1.1 – 1.5).
2. The Responsibility and Cost Sharing Advisory Group was established in the autumn of 2009, and we were required to report to the Secretary of State by 31 December 2010. The membership of the Group was determined in order to give it appropriately wide-ranging knowledge and experience of the issues raised by our Terms of Reference (1.6 – 1.7).
3. As the Advisory Group got to work, in late 2009, we had to contend with a number of challenges that we identified at the outset, not least the publication of the Animal Health Bill which proposed the establishment of a Non-Departmental Public Body (NDPB) for England. A General Election was held in May 2010 and the incoming Coalition Government decided not to proceed with the Bill but it has not sought to change our Terms of Reference and has instead asked us to complete our work to the original timetable (1.8).
4. The Advisory Group has approached its work from first principles: building on, but not beholden to, all the previous work; and seeking to recommend the most effective and fair way forward. In particular, we agreed early on that our scope should include all kept animals as it made no sense to us to create an artificial division between farmed livestock and other kept animals. We also decided that welfare should be within our scope of consideration. And we noted that the public health aspects of animal health and welfare would also be crucial to bear in mind during our deliberations (1.9 – 1.12).
5. The Group met approximately monthly. We also established two sub-groups to look in more detail at Governance and at Finance and Resourcing issues respectively and to report back to the main Group (1.13 – 1.14).
6. In our report we look first at the present situation in animal health and welfare. We then put forward an evaluation framework for assessing options for RCS going forward; recommend a new governance structure for sharing responsibility; discuss how the various options for cost sharing should be approached; and suggest how our recommendations can be implemented (1.15 – 1.20).

The present situation

How big is the kept animal sector?

7. The kept animal sector is large and of considerable significance to society and the wider economy. It is highly diverse, involving many different species and many different players with varying objectives. In addition to the animal keepers themselves, there are very many other stakeholders: the veterinary profession; the animal keepers' representative bodies; other bodies concerned with animal welfare; and, in the case of farmed livestock, the food supply chain that contains many players from the animal keepers themselves through auctioneers, abattoirs, transport and distribution services to retailers and, of course, consumers (2.1 – 2.10).

What is animal health and welfare?

8. Animal health encompasses a range of different animal diseases:
- (i). diseases that are not usually present in the UK (or EU) and which affect animals only or both animals and humans (such as Avian Influenza);
 - (ii). infections of kept animals of a type that may or may not cause clinical signs of disease in animals but cause disease in people (such as Salmonellosis); and
 - (iii). diseases in kept animals that do not present a significant public health concern but which affect the welfare of those animals and, in the case of livestock, their productivity and thus the profitability of livestock keepers (such as BVD). Government intervention is often directed at the first and second of these categories but there may also be some Government support in respect of the third category (2.11 – 2.17).

Who are the key players in policy and delivery?

9. In the context of public policy and delivery in the field of animal health and welfare, Government is only one player in a complex landscape. Other players – the very wide range of animal keepers themselves, their representative organisations, the veterinary profession, and very many sector and local initiatives – all have a role to play. And whilst many decisions are taken at the level either of the individual enterprise or by public bodies there are many excellent examples of partnership working already in operation. Any new arrangements must therefore encourage rather than discourage these initiatives (2.18 – 2.24).

How are Government policy, delivery and enforcement organised?

10. Looking in more detail at Government policy, delivery and enforcement in the area of animal health and welfare, the picture is one of a large number of different public sector bodies, some of them outside the Defra network (2.25 – 2.29).

How much is spent?

11. Looking at public expenditure, Defra is a key player, spending £356.5m on animal health and welfare policy and delivery in 2009/10. Of this, £177m, virtually half the total, was spent by Defra's delivery bodies. Within those headline figures the single largest identifiable area of spend was on Bovine TB, amounting to £36.4m of programme spend on the bTB Programme by core Defra (mainly for England), and £56.1m by Animal Health (across Great Britain) in 2009/10. The second largest spend was on the TSEs and Animal By-Products Programme at £20.8m. And Defra is not the only player: there are many other bodies whose spend may not individually be great or who may not count animal health issues as their key priority (e.g. the UK Border Agency and Local Authorities) but whose contribution is of immense importance to the animal health and welfare agenda (2.30 – 2.40).
12. At our invitation, the National Audit Office (NAO) has been looking at the way in which Defra has compiled data for us and the robustness of those data. In their report, published on 18 October, they advise that cost data provided to our Finance and Resourcing sub-group are sufficient to give an indication of the nature and relative volumes of expenditure in a single year, but they also observe that they are not of a quality which would be needed to implement a comprehensive cost sharing regime (2.32).

What is the wider international, EU and UK policy framework for animal health and welfare?

13. The complex English map of the animal health and welfare landscape is further complicated by the GB, UK and international landscapes. Animal health and welfare is a topic of interest to the European Union and much of the UK's legal framework in these areas derives from regulations or directives from Brussels. And the devolution settlement adds a further layer of complexity. So, whilst Defra makes and oversees the implementation of animal health and welfare policy for England, which is the focus of the Advisory Group's work, the Department also leads for the UK in international negotiations and retains some UK-wide responsibilities (2.41 – 2.48).

What other changes are underway?

14. There are five major issues relevant to our remit that are being addressed in parallel and where the full implications are not yet known or where work is on-going as we prepare our report. These are the Spending Review; Defra's review of its delivery landscape; the Arm's Length Body review; the Coalition Government's approach to bTB; and the work of the Task Force on Farming Regulation. We have taken the possible implications of all five of these issues into account in developing our recommendations on responsibility and cost sharing (2.49).

An evaluation framework

Who is responsible, who benefits, and who should pay?

15. It is generally agreed that the primary responsibility for the health and welfare of kept animals rests with the animal keeper but other players have responsibilities too. Government's role is particularly important. And there are numerous complexities that result from the fact that, in the area of health and disease prevention, individual

decisions ('private' decisions) do not necessarily take into account wider 'public' considerations. In the jargon of economics, there are numerous 'externalities' and, potentially, significant differences between private and social costs and benefits (3.1 – 3.7).

- 16.** In the case of some activities relevant to animal health and welfare, this may imply that the public sector should bear all or most of the costs. The provision of some 'public goods' provides an example. But in the case of some other activities there may well be a case in principle for some element of cost sharing as between the private and public sectors: the general public, not just animal keepers, benefit from such activities. We think it is right that the state will have a greater role to play, and will likely bear more of the costs, than might be appropriate in other markets but it should not be expected that the state will bear all the costs of all the activities it undertakes. If, for example, certain services are provided by public bodies to animal keepers for their benefit then, provided that the services are efficiently provided and represent good value for money, raising a charge for them may be entirely appropriate, as is done in certain areas now, although competitiveness considerations always need to be borne in mind in implementing cost sharing measures. But in our view there is likely always to be a role for the state in 'standing behind' in the case of catastrophe (3.8 – 3.10).
- 17.** Where costs are to be shared, determining an appropriate basis on which to share them is a highly complex matter, requiring the weighing up of a set of factors and priorities – which may themselves be changing over time – and determining their relative importance, as well as taking note of other policy objectives in related areas. This is, in our view, the most powerful reason for advocating, first, partnership working between public and private sector participants in relation to the sharing of responsibilities and, second, establishing clear responsibility sharing arrangements before determining the details of any cost sharing programme (3.11 – 3.12).

Aims and objectives for a responsibility and cost sharing initiative

- 18.** We think that the overall strategic aim of responsibility and cost sharing should be expressed as follows:

"The overall aim of Responsibility and Cost Sharing is to reduce the risk and cost of animal disease and improve the welfare of kept animals."

But we also need to:

Rebuild and maintain trust between animal keepers and Defra; and improve the effectiveness and value for money of policy & delivery"

We have also agreed a set of six governing principles to use when assessing options for change. These are, in summary, that RCS should:

- contribute to the achievement of society's objectives for animal health & welfare;
- help to achieve the vision of the Animal Health & Welfare Strategy by producing better outcomes;
- deliver 'partnership' benefits;
- aim to promote efficiency and effectiveness;
- aim to promote fair and equitable outcomes; and
- avoid the 'law of unintended consequences!' (3.13 – 3.16).

Responsibility sharing

19. The starting point for our consideration of responsibility sharing arrangements is our view that it is essential to establish clear arrangements before determining the details of any cost sharing programme. That said, our key conclusions on a way forward are as follows (4.1).
20. We have looked at two models for sharing responsibility that have been put forward in the past and have also looked at a ‘No Change’ model and a ‘Government Withdrawal’ model. In our view, none of these options provides an acceptable way forward for either public or private sector stakeholders (4.2 – 4.6).
21. We have therefore developed a new model built around the concept of an England Partnership Board. This model we think addresses the deficiencies and problems of the models advanced thus far and has been designed so as to perform well against the objectives and performance criteria that we have set out in our report. The strategic aim of the proposed model is to reduce the risk and cost of animal disease and improve the welfare of kept animals but also to rebuild and maintain trust between animal keepers and Defra and to improve the effectiveness and value for money of policy and delivery (4.7).
22. As well as needing to be effective and deliver value for money, the Partnership Board would need to develop the confidence of farmers, other animal keepers, other stakeholders, Ministers and wider society in the Partnership model; rebuild and maintain trust between stakeholders and Defra; fit with the wider departmental and Government structures and policies and with Ministerial responsibilities and departmental accountabilities; and be capable of being set up quickly so that it can make an early contribution to the key issues that require speedy resolution at a time of major cuts in Government spending (4.7).
23. The Partnership Board would, in summary, have the following features:
- It would be made up of external members and key Defra officials: around 12 members in total, with the external members in a clear majority.
 - It would not require legislation to be set up, or be an ‘arm’s length’ body, but would be an integral part of the Defra decision-making process.
 - It would have responsibility for strategy: for policy development, prioritisation of expenditure, and strategic oversight of delivery on all kept animal health and welfare issues.
 - It would be the single source of Departmental advice (or, where appropriate, a range of options and recommendations) to the Minister on all strategic kept animal health and welfare matters in England.
 - It would have an external Chair and the other external members would have, between them, a mix of skills and experience to cover the main ‘industry’ sectors and wider public interest issues; they would all be individuals who will earn and retain the trust and respect of animal keepers and all other stakeholders (4.8).
24. We set out in Section 4 our detailed recommendations on the scope and role of the Board; on its composition and membership; on issues of visibility, transparency and communications; on its operational principles and ways of working; and on the relationship of the Board to the Devolved Administrations and the overall UK position (4.10 – 4.47).

- 25.** We acknowledge that our proposal brings with it some risks that will have to be managed. Key to success will be the willingness of all parties involved to change their ways of working and act collaboratively in partnership. In particular (4.51):
- The right people need to be appointed and to fulfil their roles excellently.
 - The communication and engagement channels with animal keepers and other stakeholder groups must work appropriately and efficiently in enabling communication both ‘in’ and ‘out’ between the sector/stakeholder groups and the Board.
 - Ministers will need to be committed to the new Partnership Board, understand and be comfortable with this new way of working, and be willing in practice to accept the Board’s advice and recommendations in most if not all instances.
 - Defra officials will need to adapt successfully to new ways of working, both as members of the Board and in supporting and assisting its work.
 - There will need to be leadership from industry organisations in demonstrating commitment to making the new model work.
- 26.** Whilst these risks will have to be managed, we nonetheless believe that the Partnership Board model, because it demands new ways of working, can generate great benefits. A key benefit of the Partnership Board is that policy making and implementation should become more effective. This is because (4.48 – 4.56):
- a more thorough cross section of external views would be considered before recommendations are made;
 - there will be increased challenge and scrutiny of strategic policies and priorities, and better value for money of public expenditure;
 - there will be a single strategic overview of animal health and welfare policy within Defra; (at present there is no single internal management structure in this area that brings together decision-making that currently involves four separate Senior Responsible Owners (SROs);
 - there will also be a single strategic oversight body for stakeholders to engage and communicate with;
 - the arrangements will enable a greater understanding of and commitment to policy implementation by stakeholders and customers; and
 - there will be greater stakeholder and customer acceptance of a higher degree of responsibility and (where relevant) increased cost sharing.
- 27.** In our view, the new arrangements that we propose offer real change and the chance of genuine responsibility sharing, giving real input for stakeholders into the policy-making and delivery that affects them. And we believe they provide an acceptable basis upon which to consider cost sharing (4.57 – 4.58).

Cost sharing

28. In considering our recommended approach to cost sharing we have been influenced by three key considerations. First, we repeat our belief that it is essential to establish clear responsibility sharing arrangements before determining the details of any cost sharing programme (5.1).
29. Second, we need to take fully into consideration the consequences of the approach to public spending adopted by the Coalition Government. We have seen that the Spending Review settlement published on 20 October requires Defra to cut its own spending and that of its arm's length bodies by 30% over four years. There therefore has to be an even stronger focus on value for money issues than was anyway on the agenda in thinking about RCS and a commensurate need to think about priorities: the industry needs more than ever to have a say over such decisions (5.5).
30. And, third, there is the matter of cost information. The information provided to us was adequate to provide an overall point-in-time picture of Defra's spend on animal health, but NAO have advised that Defra's financial systems are not adequate to support a comprehensive cost sharing regime (5.3).
31. We have concluded, therefore, that a staged approach needs to be adopted to cost sharing. It is in our view essential to get responsibility arrangements in place quickly, and there are some developments already underway that should be pursued actively and will be of benefit to the Board once established. These are the work of the Task Force on Regulation, due to report early next year; the fees and charges review already underway for Animal Health; and the systems changes being considered in consequence of the merger of AH and VLA that need also to take account of the requirement to support a revised fees and charges regime that would meet HM Treasury guidelines. And insofar as the implementation of the Spending Review in Defra requires some input on animal health and welfare issues prior to the Board's establishment, then we have made suggestions in Section 5 concerning possible priorities (5.3, 5.9 – 5.17).
32. Thereafter, the Board should in our view consider adopting the following agenda:
- Commission a full bottom-up VFM review of all activities in the animal health and welfare landscape. This task will be rendered easier by the work we have done, together with that of the Task Force on Regulation, but is fundamental to a sound basis for reducing overhead costs and for cost sharing going forward. As well as looking at what is done now, and by whom, this review should also look at other ways of doing things, identifying, for example, the scope for new and innovative approaches, including contracting out and/or privatisation (5.10 – 5.12, 5.39).
 - In parallel, consider and implement any changes to the delivery bodies' fees and charges regime that can be supported by full and accurate financial costings and consider the scope for simple systems changes (e.g. to the chart of accounts) that might broaden the scope for activity costing in 'core' Defra (5.18 – 5.19).
 - Consider the likely cost of more substantial systems changes to support cost sharing and what might be a realistic timetable for implementation at a time of financial stringency (5.19).
 - Review the compensation arrangements and do more detailed work on disease control strategies, incentives and insurance, involving private sector underwriters as well as other stakeholders and building on the work already commissioned by the Advisory Group to take these matters further (5.20 – 5.35).

- Encourage the Agricultural and Horticultural Development Board (AHDB) to maintain/enhance its contributions to promoting animal health and welfare (5.37).
- Encourage stakeholders to develop and pursue their own projects, with scope for public funds to ‘pump prime’.
- Review the costs and benefits of consolidating animal keepers’ registration systems so as to provide a single channel of electronic communication with keepers of the key farmed livestock species (5.40).
- Consider, in the longer terms and in the light of the recommendations that will be made by the Task Force on Farming Regulation, the desirability of re-focusing and strengthening the approach to enforcement (5.41).

33. Last, we have considered the option of a general ‘animal disease’ levy, as conceived of in the (now discontinued) Animal Health Bill and in prior consultations on responsibility and cost sharing. We have concluded that the disadvantages of this option far outweigh any perceived advantages and that it should not feature in any new set of arrangements (5.36).

Implementation

- 34.** The first stage in implementing the Partnership Board model must be the development of a business case for the Board. An implementation team needs to be appointed whose first action should be to produce a detailed, costed timetable and plan, with identified key tasks, dates, and responsibilities (6.1 – 6.3).
- 35.** We think there will be three main pieces of work required to set up the England Partnership Board in the way we propose: appointing the Board; putting in place the support and communication channels for the external members; and embedding the Partnership Board within the Defra management and administrative structures (6.5 – 6.10).
- 36.** Once it is established, when developing its forward work plan the Board will need to align its own work to the Defra business and financial planning cycles; and agree on a regular performance reporting cycle. The Board’s early action plan should be:
- to observe that communication and engagement channels to all relevant sectors are set up;
 - to initiate a bottom-up value for money review of all animal health activities;
 - to review the fees and charges regime;
 - to examine the current compensation regime; and, in parallel
 - to continue dialogue with private sector underwriters to examine the scope for expanding private insurance arrangements (6.11).
- 37.** Finally, we note that evaluation of the Partnership Board will be needed at a point in time – we suggest not less than three and not more than five years after it is set up – to determine whether it is delivering the envisaged benefits (6.12 – 6.17).

Section 1

Background to the review

The history of responsibility and cost sharing

- 1.1. The sharing of responsibility and costs in the field of animal health and welfare has a very long history. Animal keepers have always taken responsibility for looking after their animals and the public sector has been involved for many years, playing a role in, for example, border controls, research and development, the setting and enforcing of welfare standards, and protecting the public from the human health risks of animal disease.
- 1.2. Until relatively recently, public policy relating to animal health and disease control has, understandably, tended to develop in response to new and emerging challenges as they have arisen: there has not been one single strategy set out at a particular time to govern the response to any and all conceivable circumstances. For example, from the 1980s, the management of the new disease, Bovine Spongiform Encephalopathy (BSE), became paramount: Government policy inevitably focused on this problem and resources were deployed accordingly. And when, after an interval of more than 30 years, a major outbreak of Foot and Mouth Disease (FMD) occurred in 2001, it required new approaches to be developed at speed and an enormous volume of Government spending: £2.8bn was spent directly to contain and eliminate the disease whilst the loss to the UK economy overall (including this figure) was estimated by various analysts to be in the range of £6-9bn.
- 1.3. More recently, the GB Animal Health & Welfare Strategy published in 2004 set for the first time a framework for policy in this area: its stated aim is the lasting and continuous improvement in the health and welfare of kept animals and the protection of society, the economy and the environment from the effect of animal-related threats. Working together in partnership, with Government, industry and other stakeholders, is a key theme of the strategy. And, following this, whilst the legal framework governing animal health has not been changed significantly, that governing welfare has been subject to systematic review. The Animal Welfare Act 2006 put in place a new and more developed framework in relation to welfare by updating and consolidating several pieces of legislation, some of which dated back almost a century.
- 1.4. Against this background, the question of whether and how to introduce a greater degree of sharing of the responsibility and costs of animal health and disease control has been under more systematic consideration for nearly a decade. Both the Classical Swine Fever outbreak in 2000 and the FMD outbreak in 2001 acted as catalysts for a re-think of who should do, and pay for, what. Following the FMD outbreak, the Policy Commission for the Future of Farming and Food, led by Sir Don Curry, stated: "Many have argued that a really sustainable industry would bear the costs associated with

animal disease itself. Farmers who bore those risks would have a strong incentive to maintain good biosecurity." The policy approach to responsibility and cost sharing has, as a consequence, been under consideration ever since 2001. Table 1.1 below outlines the key stages of policy development in England. A fuller table describing these stages can be found at Annex B.

- 1.5.** Table 1.1 demonstrates clearly that sharing a greater degree of responsibility and costs between animal keepers and Government has proved to be a complex and difficult area of policy to resolve. Various stages of policy-making and consultation have not, so far, resulted in an agreed way forward. But whilst it is perhaps disappointing that so much time has elapsed without such agreement, one advantage has accrued, namely that new policy priorities have emerged in the intervening time that need to be borne in mind when developing any new arrangements for responsibility and cost sharing. For example, climate change mitigation and adaptation (which will impact on disease spread and control) are rapidly becoming the key challenges facing the agricultural sector. Food security has also been an important new addition to the debate about British farming and its role in British society and the economy. It is therefore key that any recommendations made in the area of responsibility and cost sharing do not undermine, but rather support, other public policy, social, environmental or economic objectives in these and other emerging areas.

The role of the Advisory Group

- 1.6.** Against this background, the Advisory Group was established in the autumn of 2009, following the third consultation on proposals for a new independent body for animal health. Our Terms of Reference are reproduced in Box 1.1 below. We were required to report to the Secretary of State by 31 December 2010.

Box 1.1 Advisory Group Terms of Reference

The Group will have an independent Chair. The membership will consist primarily of representatives of the livestock industry, appointed by the Secretary of State in consultation with industry leaders, and Defra budget holders for animal health policies and their delivery. It will:

- Examine the proposals for a new independent body for animal health and the responses to the consultation launched on 30 March 2009;
- In light of the above, advise on the responsibilities, scope and functions of the new body, including how best to ensure its animal health policies and Defra's animal welfare policies remain aligned;
- Consider the constitution of the new body, its membership and its ways of working in order to maximise the benefits of its creation and the confidence of the public and farming industry;
- Examine the current use of resources by Defra in meeting the challenges of animal health and consider the way in which they should be deployed and prioritised in order to maximise the efficiency of the new body;
- Make recommendations to the Secretary of State no later than 31 December 2010.

Table 1.1

Date	What Happened?	Recommendation	Outcome
2000-2001	Suspected case of Classical Swine Fever (CSF) in 2000; FMD outbreak in 2001.	A series of restrictions and local measures were put in place.	
Summer 2002 FMD 2001: Lessons to be Learned Inquiry: Anderson Report	AHW strategy developed to encourage lasting and continuous improvement in health and welfare of kept animals.	Government should develop a national strategy for animal health and disease control. Development of an enhanced level of skills and knowledge among all who have responsibilities for animals.	The GB <i>Animal Health and Welfare</i> (AHW) strategy In 2005, the Government appointed the <i>England Implementation Group</i> (EIG).
Summer 2005	EIG was to ensure partners in the strategy including Government were held to account in achieving the strategy's vision. The group comprised of thirteen independent members representing a wide variety of animal health and welfare interests.	Set up a sub-group on RCS to support Defra by providing challenge, in line with the principles of the Strategy.	EIG set up the RCS sub-group. In the <i>Farm Regulation and Charging</i> strategy (2005), commitment to set up a joint working group with the farming industry to develop risk sharing arrangements for tackling exotic diseases.
Winter 2005	In England, work on developing RCS continued through the Joint (Industry/Government) Working Group (JIGWG) . The group published a report to consider the balance of risks and responsibilities associated with keeping farm animals.	There should be a joint industry and Government approach to sharing costs and responsibilities for exotic animal disease run by a new statutory body. Devolved Administrations and their industries must be brought on board urgently.	A one day workshop was held in Spring 2006, to engage with a wider group of stakeholders; largely from the livestock industries, wider food chain and Government, UK Forum established.
Autumn 2006	UK RCS Consultative Forum – established to make recommendations on a new partnership approach to animal health and welfare across the UK.	The forum proposed principles to underpin the animal health and welfare RCS agenda. Expressed views on options.	Range of consultations on principles and options in England, Wales, Scotland, and Northern Ireland.
Autumn 2006 (1 st Consultation)	Responsibility and Cost Sharing for animal health and welfare: Principles – a consultation to inform decisions on how responsibility and cost sharing was taken forward.	Strong opinion from industry was that RCS should not merely be an exercise in passing costs to industry but should be based on a greater and equitable say on policy development and share of responsibility to promote true partnership.	A set of 13 principles were agreed as a basis for future work.
Autumn 2007 (2 nd Consultation)	Responsibility and Cost Sharing for animal health and welfare: Next steps – consultation to consider the appropriate legal structures capable of delivering RCS.	The policy on RCS was further developed as a result of this consultation and further work by the RCS Consultative Forum.	Detailed proposals developed as a result of this consultation formed the basis for the third consultation.
Winter 2008	For the third consultation, Defra carried out 12 regional workshops to explain the proposals, build understanding in industry, and gain practical ideas for improving/ implementing RCS.	Bovine TB and costs were raised throughout all the workshops. Attendees were particularly keen to understand how the budget was broken down.	The workshops were challenging and met their objectives.
Spring 2009 (3 rd Consultation)	New independent body for animal health: A modern governance and funding structure for tackling animal diseases – consultation to develop a new partnership.	Government's intention to publish draft Bill by the end of 2009 for pre-legislative scrutiny in early 2010, with a view to its introduction early in the new Parliament.	Draft Animal Health Bill was published in early 2010 with public consultation. Coalition Government decided not to proceed with this Bill and project closed in June 2010.

- 1.7.** The membership of the Advisory Group was determined in order to give it appropriately wide-ranging knowledge and experience of the issues raised by our Terms of Reference. The Group was chaired by an independent economist. Four Defra civil servants were invited to participate, being the four Senior Responsible Officers (SROs) having budgetary responsibility for Defra spend in the area of animal health and welfare. Various stakeholder organisations were approached and invited to suggest names: as a result 12 external members were invited to serve. As well as individuals from various livestock sectors, these members included a leading vet and a member with a background in consumer affairs and policy. The UK Chief Veterinary Officer (CVO) was an *ex officio* member. A full list of members of the Advisory Group is at Annex C. It should be emphasised that all our external members served as individuals: they were not there to represent particular bodies but we benefited greatly from their links to a wide range of different organisations.
- 1.8.** As the Advisory Group got to work, in late 2009, we had to contend with a number of challenges that we identified at the outset. It was clear that many stakeholders believed that responsibility and cost sharing was a ‘done deal’: that decisions had already been taken as to a way forward and that the Advisory Group was simply a rubber-stamping device. This fear was exacerbated in that our initial work took place alongside work in Defra to develop a draft Animal Health Bill that proposed the formation of a new Non-Departmental Public Body (NDPB) to deal with animal health. It was therefore necessary for the Group to build trust in its work amongst external stakeholders and work towards a way forward built around consensus. In addition, and very importantly, the Group had to ensure that a rigorous examination of public expenditure in this area was undertaken: some of the figures quoted in earlier consultation documents had been called into question by stakeholders. There were also potential complexities arising from England’s position in relation to Great Britain and the EU. EU policy on responsibility and cost sharing had started to be looked at more closely as we began our work. We also needed to be mindful of the relationship between any arrangements for England, with which we were concerned, and those applying in the Devolved Administrations; policy in relation to animal health having been devolved, although the devolution of budgets was not (and still is not) completed. There was the matter of the distinction, if any, between animal health and animal welfare, with Government at that time appearing to favour the retention of welfare policy in Defra when and if animal health policy was passed to a new NDPB. And last, but by no means least, a General Election had to be held by June 2010, which could potentially change the Government’s stance towards responsibility and cost sharing. In practice, however, the incoming Coalition Government has not sought to change our Terms of Reference but has instead asked us to complete our work and report to Ministers before any final decisions are taken on the future of responsibility and cost sharing.
- 1.9.** In the light of all the above issues, the Advisory Group has approached its work from first principles: building on, but not beholden to, all the previous work; and seeking to recommend the most effective and fair way forward.
- 1.10.** In particular, we agreed that our scope should include all kept animals, as it made no sense to us to create an artificial division between farmed animals and other kept animals, including animals kept for companionship. This was partly because of the practical problem of deciding where the line of scope should be drawn (where would ‘hobby’ farmers or smallholders fit, for example); but more importantly because of our strongly-held view that animal health and welfare is relevant across all kept animals because of the unavoidable epidemiological relationships. Nevertheless, we have in doing our work paid careful attention to the farmed livestock sectors, because of their organised (and regulated) nature and because of their importance to the UK economy.

- 1.11.** As paragraph 1.10 above indicates, we also decided early on that welfare should be within our scope of consideration. We were agreed that the distinction between health and welfare is, to a large extent, artificial, and the relationship between them so interdependent that they must be considered in conjunction. This, we felt, would provide both coherence and economies: we would be drawing on the same skill sets in examining both health and welfare; and engaging with the same stakeholder groups.
- 1.12.** We also agreed that the public health aspects of animal health and welfare would be crucial to bear in mind during our considerations. Farmed livestock, in particular, have important potential impacts on public health although other kept animals do too. We return to this in Section 2 below.
- 1.13.** We have also adopted an open approach to our work and have attempted to ensure that our emerging views are shared as widely as possible with stakeholders. In pursuit of this, the Chair and the external members have attended numerous meetings of stakeholder organisations to provide updates on our work and the Chair has posted a feedback note on the Group's website after each meeting of the Advisory Group, which were approximately monthly. We have also invited representatives of a wide range of stakeholder groups, covering many different sectors, to our meetings to tell us about their issues and experiences.
- 1.14.** We have also sought to involve directly additional individuals to help us with our work. In particular, we decided at the outset that we would set up two sub-groups to undertake more detailed work in two key areas, that of finance and resources, and governance, which could report back to the main Group. These sub-groups involved some members of the main Group but also some other external members having particular experience and expertise: the Terms of Reference of these sub-groups, and their membership, can be found at Annex C.

The structure of our report

- 1.15.** Against the above background, the remainder of our report is structured as follows:
- 1.16.** In Section 2 we look at the context in which our recommendations are made. We start by looking at the size and significance of the kept animal sector. We then examine the disease challenges that England currently faces; how policy, delivery and enforcement are currently organised; what is spent from the public purse on animal health control; the changes that are already underway and which we must take into account in formulating our recommendations; and the interaction between proposals for England and the international and EU context and the context of the Devolved Administrations. We also look at some examples of working in partnership that have already yielded some good results and which can provide pointers for the future.
- 1.17.** In Section 3 we set out a framework for evaluating proposals for responsibility and cost sharing. We look at the overall aims and policy objectives for responsibility and cost sharing and the criteria that in our view should be used in assessing options.
- 1.18.** In Section 4 we examine the options for responsibility sharing and make our recommendations for a way forward in this area. We look at scope and role; at composition and membership; at visibility, transparency and communications; and at operational principles and ways of working. We also consider the important matter of the relationship between arrangements in England, which is the focus of our remit, and those of the Devolved Administrations. We conclude with a consideration of costs, risks and benefits.

- 1.19. In Section 5 we turn to a consideration of cost sharing. We examine the options, stressing the importance of ensuring that any costs to be transferred from the public purse to animal keepers must be costs that reflect the efficient provision of services that deliver value to animal keepers, and make our recommendations for the future.
- 1.20. In Section 6 we present an implementation plan for taking forward our recommendations for responsibility and cost sharing. We set out the key steps for establishing the arrangements we propose, suggest an early action programme, and look at how performance can be evaluated.

Section 2

The present situation

How big is the kept animal sector?

- 2.1. Before turning to a discussion of animal disease and how policy and delivery are organised in this complex landscape we start with a look at the size and significance of the sectors involved. Essentially, the responsibility and cost sharing agenda is relevant to all kept animals and their keepers, as it is to the public health and social agendas. The kept animal sectors include farmed animals contributing to the food chain or kept for other commercial reasons (for example, beef and dairy cattle, sheep, pigs, camelids, poultry, game birds, farmed fish) where the animal keeper must earn an economic return on the activity; animals kept by 'hobby' farmers who may not be seeking a commercial return; animals kept for competition, display, performance, conservation or other reasons, where a commercial return may be required or where some element of private or public subsidy may be available; and companion animals kept by individuals, families or groups. Individual species may fall into any or all of the above groups.
- 2.2. Table 2.1 below presents a snapshot of the kept animal world (most figures are for the UK, those for farmed fish and game birds are for England and Wales).

Table 2.1 Livestock and other kept animal statistics¹

Sector	Total number of animals	Number of holdings	Economic value ²
Cattle	10,025,000		
Dairy cows	1,857,000	26,800	£3,114,000,000
Beef cows	1,626,000	65,900	£2,200,000,000
Sheep	32,038,000	73,900	£962,000,000
Pigs	4,724,000	13,300	£1,015,000,000
Poultry	159,288,000	31,800	£1,563,000,000
Horses	1,300,000	11,000 ³	£7,000,000,000 ⁴
Farmed Fish	8127 tonnes	325	£23.5 million per year ⁵
Companion Animals	47,700,000		
Game Birds	30 – 35,000,000		£7.14 million per year ⁶

- 2.3.** It should be noted that Table 2.1 shows figures that represent a moment in time rather than an annual picture (for example, there would usually be far more than one ‘cycle’ of poultry in a year). Nevertheless, the table reinforces the message that the number of animals kept in the UK is very great, with the greatest number of holdings of farmed animals being of sheep and beef cows. In economic terms, the various components of this big and diverse sector amount to a significant slice of economic activity. For farmed livestock, for example, the table gives a total value of £8.9bn.
- 2.4.** And it should be emphasised that, in the case of farmed livestock, the sector provides a highly significant input to the agri-food sector. The farming and food sector, composed of agriculture, food manufacturing, food wholesaling, and catering, contributed £85bn to the economy in 2008. Food and drink manufacturing is the UK’s largest manufacturing sector, accounting for 15% of UK manufacturing gross value added. UK exports of food, feed and drink were worth £14bn in 2009, accounting for 5% of total UK exports. The health of farmed livestock in economic terms is thus of much greater significance than the sector’s direct size suggests. And that is without imputing any value to the companion animal and other sub-sectors for which data are limited.

1 Livestock figures are sourced from Agriculture in the United Kingdom, Defra 2009 Equine figures from Impact Assessment on African Horse Sickness outbreak, prepared by Epidemiology and Economics Research Unit at Reading University <http://www.defra.gov.uk/corporate/consult/african-horse-sickness/horse-sickness-ia.pdf>.

Farmed fish figures at 2006 for England and Wales only sourced from CEFAS website: <http://www.cefas.co.uk/news/news-releases/2009-releases/food-security-for-england-the-future-is-fish.aspx>. Companion animal estimate for UK in 2005 provided by the Companion Animal Welfare Council. This is made up of 6.67 million dogs, 9.2 million cats, 5.15 million small mammals, 2.87 million birds, 21.8 million fish and 2.01 million reptiles.

Game bird estimates based on figures from the Game Keepers Trust, cited in Defra report: <http://www.defra.gov.uk/foodfarm/food/industry/sectors/eggspoultry/documents/gamebirdindustry-study.pdf>. And figures from Defra report for a year when shooting takes place: <http://www.defra.gov.uk/foodfarm/food/industry/sectors/eggspoultry/documents/gamebirdindustry-study.pdf>

2 Economic value for livestock comes from Defra report: Agriculture in the United Kingdom 2009 and is defined as ‘value of production at market price 2009’.

3 This figure includes livery yards and riding schools but not private owners.

4 Based on figures from 2009 UK figures from Impact Assessment on African Horse Sickness outbreak.

5 Based on figures from 2006 figures from CEFAS website: <http://www.cefas.co.uk/news/news-releases/2009-releases/food-security-for-england-the-future-is-fish.aspx>.

6 Figures from Defra report, page 18: <http://www.defra.gov.uk/foodfarm/food/industry/sectors/eggspoultry/documents/gamebirdindustry-study.pdf>. This states that the average economic value of game sector is £12.5 million in a year when shooting takes place, and this happens 4 years out of 7. This averages the value out to £7.14 million per year.

- 2.5.** In addition to the animals themselves, there are, of course, other stakeholders closely involved with kept animals. There are the animal keepers' own representative bodies, of which there are national, species-specific, local and other kinds of groups; and other bodies concerned with animal welfare, of which there are a huge number, organised on a national, regional or local level, for particular species or kinds of species and in respect of particular welfare issues. And the food supply chain contains many players, from the animal keepers themselves through auctioneers, abattoirs, processors, transport and distribution services to retailers.
- 2.6.** The veterinary profession is key to animal health and welfare. The Animal Health and Welfare Strategy recognises the importance of the relationship between veterinarians and farmers and the complex and varied role that vets play in managing animal health and welfare. Vets are uniquely placed to help animal owners and are increasingly gearing their services towards the prevention of disease, such as farm health planning.
- 2.7.** Defra commissioned a report on veterinary expertise in food animal production from Professor Philip Lowe and, as noted in his report, *Unlocking Potential*, published in 2010, the veterinary profession has increased significantly over recent years (7,948 to 21,622 between 1966 and 2006). There is also an increasing number of veterinary graduates entering the profession. There has, however, been a sharp decline in food animal work. Although this trend does seem to have levelled off, a survey of the profession by the Royal College of Veterinary Surgeons indicates that a continuing slight decrease in food animal work is expected. Around 5% of veterinarians work in farm animal practices whilst 28% work in mixed practices. Animal Health has had around 10,000 individuals performing work as Official Veterinarians in the past five years, coming from around 2,200 practices. There are currently around 600 vets employed in various parts of Government for the purposes of, among other things, policy development, technical advice, and veterinary practice. This includes about 300 at Animal Health, 100 at the VLA, around 50 in other parts of Defra (including its other executive agencies), 40 at the Food Standards Agency and 25 in other Government departments. It is notable, however, that there is a lack of reliable data on the number, size and type of veterinary practices operating in Great Britain.
- 2.8.** It is clear that the veterinary business model is changing to reflect changing demands for veterinary services. *Unlocking Potential* notes a move towards larger veterinary practices specialising in farm animals and operating over larger areas. Overall, the report provides a wide-ranging analysis of the challenges facing the veterinary profession. There has been growing concern within the veterinary profession about a reduction in the number of veterinarians working to support the farming and food industries. These concerns have been exacerbated by a number of fundamental changes which are affecting the demand for veterinary services, including those required by Government. For example, Animal Health is currently re-examining the process by which the services of Official Veterinarians are tendered. The British Veterinary Association has now formed a Veterinary Development Council (VDC) which will explore and define the 'market' for farm animal veterinary services in the UK, considering both supply and demand. The VDC will also identify ways in which the veterinary profession might need to develop to ensure it provides the necessary expertise, goods and services that its clients, and society more generally, needs. Professor Lowe noted that, potentially, RCS could be a great opportunity for the veterinary profession and we would endorse that view, adding that the profession's input will be key to its success.
- 2.9.** It is also worth noting the contribution that many animal keepers make to rural communities, rural employment, the environment, landscape and tourism. Many farmers participate in Environmental Stewardship schemes, which provide extra

funding through the Common Agricultural Policy for environmental management on farms. In addition, many have diversified into other types of rural businesses such as tourism (bed and breakfast, for example) and local artisan food processing (as well as production). These kind of activities can stimulate additional funding into local rural economies.

- 2.10.** Altogether, the kept animal world represents a part of UK plc that is collectively of considerable importance but that is highly diverse, involving many different species and many different players having varying objectives; this breadth and impact may well be under-recognised. We now turn to the health and welfare considerations arising from this complex landscape.

What is animal health and welfare?

- 2.11.** We can take as a starting point a definition of health. According to the World Health Organisation, human health is “a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.” But why should we be concerned about animal health?
- 2.12.** Animal health refers to an animal being provided with essential needs to be reared to its full biological potential and being protected from exposure to disease and other conditions, particularly those which pose significant animal and public health risk. We should be concerned about animal health because animal disease presents threats to public health, to the wider society and to the economy as a whole, as well as to animal welfare.
- 2.13.** Public health is an important consideration when considering any aspects of animal health and welfare. First, the public must be protected from the direct impacts of animal disease or infection, both zoonotic disease that can be transmitted from animals to humans but also infections carried by animals that can affect humans. We return to some of these types of diseases and infections below. But, second, there is a wider indirect impact on the public and public health if there are serious animal health or welfare factors that affect the food chain. For example, a significant outbreak of a serious exotic disease such as Foot and Mouth Disease (FMD) could lead to a major domestic undersupply of meat such as beef or lamb.
- 2.14.** Evidently, we are as a society generally concerned about animal welfare as well as animal health. The health and welfare of livestock are closely connected. Animal welfare refers to the well-being of the animal. This includes its health as described above, its ability to perform natural behaviours and its mental state i.e. how well it is coping with its life. Its mental state is clearly linked to both its health and ability to lead a life that is suited to its species needs.
- 2.15.** In this context, animal diseases may be taken to fall into three broad categories as follows:
- Major, and often highly infectious, diseases of kept animals that are not usually present in the UK (or EU) and which either affect animals only or affect both animals and man. Preventing incursion of these diseases, and effective control and/or eradication should they occur, cannot be achieved solely by the actions of individual animal keepers. These diseases are subject to statutory reporting and control measures. Examples are FMD and Highly Pathogenic Avian Influenza.

- ii. Infections of kept animals of a type that may or may not cause clinical signs of disease in animals but cause disease in people. These infections are termed zoonotic diseases: those that can be transmitted between vertebrate animals and humans. For the protection of public health, these diseases are often subject to statutory reporting and control measures. An example of this is Salmonellosis. Also in this category are non-infectious conditions, such as chemical residues, that may present a threat to public health.
 - iii. Diseases and conditions of kept animals that do not present a significant public health concern but which affect the welfare of those animals and, in the case of livestock, their productivity and thus the profitability of livestock keepers. There is a wide range of causes of disease in this category, including those caused by deficiencies in diet and management as well as infectious causes; these are frequently multi-factoral. An example is Bovine Viral Diarrhoea (BVD).
- 2.16.** New or newly emerging diseases, likely to be a growing issue in a changing climate, present a potential threat in any or all of these three categories. Those diseases that are not present in the UK are termed “exotic” disease and those that are present are termed “endemic” diseases.
- 2.17.** As far as Government policy in relation to animal health and welfare is concerned, we have already observed in Section 1 above that, in this arena, Government policy and the associated spending on its implementation have tended to develop piecemeal in response to particular events. Thus, while many interventions have made good sense against the circumstances of the time, looked at as a whole the picture is not a particularly consistent one. We return to this in Section 5 below but here we may note that, although the landscape may not appear consistent now, the underlying rationale has usually been an attempt to determine the degree to which intervention is deemed to prevent wider public harm or, in the jargon, deliver ‘public goods’. Essentially, in this area of public policy this means there is a need, in taking into account the consequences of intervention, to look at the effects that such intervention brings in terms of wider ‘public’ benefits. The Animal Health and Welfare Strategy 2004 defines this to include the impact on public health and the wider society, including economic and environmental benefits, and the benefits to international trade, as well as benefits to animal welfare. Looked at in the context of our typology of diseases, Government intervention is often directed at categories (i) and (ii) above, with surveillance, and interventions such as the promotion of biosecurity, having a beneficial impact on both categories as well as having the useful side effect of informing and supporting action by others in respect of category (iii). But there may also be Government support in examples of category (iii) diseases: the recent launch of a plan by the Scottish Government to eradicate BVD in Scotland using some public money to support the first phases provides an up-to-date example.

Who are the key players in policy and delivery?

- 2.18.** In the context of policy and delivery in the field of animal health and welfare, Government is only one player in a complex landscape. Other players – the very wide range of animal keepers themselves, their representative organisations, the veterinary profession, and very many sector and local initiatives – all have a role to play. We illustrate the workings of this complex landscape below using some practical examples, but the key role of Government, both Defra and other parts of Government, is illustrated by the scale of its spending on animal health and welfare, to which we return later in this Section of our report (see paragraphs 2.30 – 2.40).

- 2.19.** Looking first at animal keepers, there are animal health and welfare costs borne by animal keepers (in this context, mainly farmers) directly associated with Government intervention related to categories (i) and (ii), such as requirements for specific levels of biosecurity or costs arising because of movement restrictions in the face of disease outbreaks. Aside from these costs, other spending by animal keepers (specifically farmers in this context) tends to be directed towards category (iii) diseases (those diseases that affect productivity). Here farmers' decisions in this regard may be reinforced by decisions further up the supply chain: retailer contracts may, for example, require action to address on-farm health risks, such as implementation of a farm health plan. In general, however, much intervention is at individual farmer or business level, with spend determined by risk appetite (in relation to the risk of disease introduction) or by business model (whether or not to bear the costs of disease rather than spend to prevent, control or eliminate it).
- 2.20.** Although many of the decisions relating to animal health in farmed livestock are taken at enterprise level, livestock production sectors have nevertheless engaged in a variety of co-operative activities to control disease. Some examples are quoted below. These are by no means comprehensive but provide an indication of the kinds of activity in various sectors.
- i. In the pig sector the industry has been working to develop health improvement programmes to improve pig health in a collaborative and sustainable way by involving people from all parts of the supply chain. The ultimate aim is for producers to form groups and to work together with their vets and the allied support industries to implement health improvement programmes on-farm. An initiative by the British Pig Health and Welfare Council (which includes a broad range of Government and industry stakeholders) with the support of the British Pig Executive (BPEX) has accessed funding from the Regional Development Programme for England through the Yorkshire Forward, East of England and East Midlands Regional Development Agencies (RDAs). The success of the programmes depends on integrated and simultaneous action by a group of producers who are interdependent. The pig industry is working to extend the health improvement programmes to all regions of England. Movements of pigs between regions means that ultimately a national approach will be the most sensible one, but the success of collaboration depends on grassroots commitment, and so taking a local approach first was important to build strength on which a national programme could be built. Further details are laid out in Annex E1.
 - ii. The poultry (meat) sector has put in place an industry-wide training programme as a joint initiative between the British Poultry Council and National Farmers' Union (NFU) with support from LANTRA (the Skills Council for land-based industries). This sets minimum industry standards specific to job roles which replaces company in-house schemes and satisfies assurance training requirements as well as meeting legislative requirements. It has a number of different certification levels for new starters, stockmen and managers and provides for continuing professional development. Nearly 4000 people have undertaken training since the launch in 2008 and central recording provides a training passport that is recognised between employers.
Degree level scholarships and farm apprenticeships are under development.
 - iii. The Cattle Health and Welfare Group is composed of representatives from a wide range of industry bodies (including both the beef and dairy sectors) along with Government bodies and agencies. It is supported by the English Beef and Lamb Executive (EBLEX) and Dairy Co, two divisions of the Agriculture and Horticulture Development Board (AHDB). It has launched a dairy cow welfare strategy, has set up a cross-industry monitoring group and is establishing performance measures.

Farm health planning has been promoted at the Dairy event with repeated presentations from a range of speakers. It attracted great interest and positive feedback. There are also good examples of where Rural Development Programme for England (RDPE) funded work has enabled the setting up of local cattle health planning initiatives, such as that in Annex E6.

- iv. The sheep sector also has a Health and Welfare Group constituted in a similar manner to the cattle equivalent and supported by EBLEX. Incorporated within this is the well established Strategy for the Control of Parasites in Sheep (SCOPS) project. This joint Government/industry initiative has been a ‘role model’ exercise in using technology transfer methods to influence management techniques and promote a sea-change in thinking towards controlling both internal and external parasites in sheep. And added to that are several regional flock health planning projects and many established accreditation schemes for the diseases Maedi Visna and Enzootic Abortion. The pioneering example of joint Government/industry work on disease was also in the sheep sector and was the voluntary component of the National Scrapie Scheme (eg: the Ram Genotyping Scheme). For co-operation to be achieved in the removal of great rafts of the genetic base of the species shows what can be achieved if the strategy is sensible and practical with clear goals which make sense to all parties.
 - v. In the horse sector responsibility for implementing the various actions within the Equine Health and Welfare Strategy (developed by the industry) falls to nominated “champions” drawn primarily from the equine welfare charity sector in partnership with Defra. While the total cost of these co-operative programmes has not been calculated, the cost of the Government/Industry Working Group on African horse sickness, which met four times in 2009, is estimated at £200k and the total estimated cost of programmes in 2009 is £2m (excluding the costs of operating the National Equine Database). Defra pays around £450K per year to equine disease surveillance, whilst industry pays a considerable amount, including £750K per year from the Horseracing Betting Levy specifically for disease programmes. In addition the Horseracing Betting Levy has contributed around £1-1.5 million a year for equine veterinary research. The charity sector also contributes a significant amount of funds.
 - vi. In the companion animal sector, the Small Animal Surveillance Network (SAVSNET) has been set up as a partnership between Defra and other interested parties, including private veterinary practices. It is a national programme to investigate disease in the UK small animal population and its aim is to obtain an overview of diagnoses from submissions received that can generate a quarterly report. The Companion Animal Sector Council has been formed and has developed a plan to review health and welfare standards and establish good practice guidelines. The Companion Animal Welfare Council (CAWC), an independent group, works to promote companion animal welfare and produces periodic reports.
 - vii. In the aquaculture sector the trout industry runs a voluntary health and welfare strategy through the British Trout Association. There is also an independently-run trout quality scheme, called Quality Trout UK Ltd, that addresses aspects of best practice in fish health and welfare husbandry.
- 2.21.** The Advisory Group was particularly interested in these sector initiatives and during the course of our work we heard about numerous other examples of partnership working in the health and welfare arenas at a more local level in the various kept animals sub-sectors. In a number of instances members of the Group were personally involved. These examples gave us great cause for encouragement: they demonstrate that, although central policy has been long in the making, practitioners have been able to move forward on their own initiative. We felt that our report provided an excellent opportunity to show-case some of these examples and use them to remind us all that new arrangements must encourage and not hinder the implementation of such good ideas.

2.22. A summary of key points from each of our case studies is shown below in Table 2.2 and full detail on each one is set out in Annex E.

Table 2.2 Summary of Case Studies in Partnership Working

Annex	Title	Key Points
E1	Regional Health Improvement Programmes in the Pig Industry	Pilot scheme to encourage better pig health on farm. Several partners involved, key is communicating effectively with farmers.
E2	Livestock Assurance South East Region	Health Assurance scheme aiming to improve health of cattle in South East region. Three-year pilot involving several partners to deliver.
E3	Bluetongue Virus Control Plan	Industry and Government working effectively together to develop a new way of dealing with a new exotic disease threat.
E4	UK Export Certification Partnership	Industry and Government working together to achieve outcomes (fewer restrictions on animal and animal product exports) at a speed that neither could achieve alone.
E5	Landskills Project	Promoting skills in sheep farmers using local knowledge and innovative communications channels.
E6	RDPE North West Livestock Programme	Encouraging better technical forward planning activity in local cattle and sheep farmers, including through the use of monitor farms.
E7	Scotland is eradicating BVD	Government and industry working together to implement a staged approach to tackling BVD.
E8	Tackling exotic diseases of pigs	Industry and Government working together through a forum to prevent and prepare for exotic diseases of pigs.
E9	Beyond Calf Exports Stakeholder Forum	Forum involving a very wide range of stakeholders to come up with solutions to an emotive welfare issue: export of male calves.

2.23. Analysis of these case studies indicates that they have a number of features in common that demonstrate the key success factors that are relevant to initiatives such as these:

- First, a broad and appropriately constituted participation: getting the right people involved and making sure all interests are covered.
- Second, a good understanding of shared goals and a commitment to working towards a common vision.
- Third, well-conceived and targeted communications and channels for information exchange: getting to the right people at the right times, using existing channels where they exist or conceiving effective new channels.
- Fourth, a good understanding of where ultimate responsibility and accountability lies: often in the form of a key individual or organisation which drives progress forward.
- Fifth, in many cases a proportion of ‘pump priming’ money provided from public funds, such as RDPE money provided through the Regional Development Agencies (RDAs) or from levy-payers’ funds via the AHDB subsidiaries that have leveraged other private sector resources. We return to the abolition of the RDAs later in the report.

2.24. These success factors we have had very much in mind in developing our recommendations and we return to them below in Section 4 of our report.

How are Government policy, delivery and enforcement organised?

- 2.25. Turning now to a more detailed description of how the ‘public’ portion of this total landscape is organised, there is a complex network of bodies dealing with aspects of public policy development, delivery and enforcement in relation to animal health and welfare and disease. Some of these bodies form part of Defra and its wider delivery network; others are governed elsewhere in the public sector. This situation has developed over time in response to specific issues and problems as they presented themselves and so renders understanding and evaluating the total landscape something of a challenge.
- 2.26. Table 2.3 below shows how these various public sector elements of policy, delivery and enforcement were organised at March 2010. The table focuses on animal health and welfare policy and delivery in England. Certain changes, such as the merger of Animal Health (AH) and the Veterinary Laboratories Agency (VLA), are already underway and are further discussed below (see paragraph 2.49)
- 2.27. It is worth noting here that Defra interacts with its own executive agencies through two distinct relationships: the ‘owner’ relationship and the ‘customer’ relationship. The ‘owner’ and ‘customer’ in Defra are normally two different individuals. The customer relationship is concerned with the tasking of the agency, with the terms of the contract between Defra and the agency and with managing the agency’s performance. In the case of Animal Health, for example, Defra is only one customer: the Welsh Assembly and Scottish Government are customers too. The owner relationship is concerned with the overall management of the agency, which is financially accountable to Defra. Defra’s Accounting Officer (the Permanent Secretary) needs to sign off their accounts every year and is accountable to Parliament for them.
- 2.28. Table 2.3 shows clearly that a large number of different public sector bodies are involved in animal health and welfare policy and delivery, and that some of them are outside the Defra network. We explain their various roles in more detail below as we look at the spending that can be attributed to animal health and welfare objectives (in the case of those bodies outside the Defra network it is not always possible to identify a discrete portion of their spending that goes to animal health and welfare).

Table 2.3

Body	Status	Policy Making	EU negotiations	Advice & Guidance	Inspection, licensing and enforcement	Testing, Surveillance and risk assessment	Research and Development	Emergency Response	Other
Core Defra	Central Government Department	✓	✓	✓		✓		✓	
Animal Health	Defra Executive Agency			✓	✓	✓		✓	
Veterinary Laboratories Agency	Defra Executive Agency		✓	✓	✓	✓	✓	✓	✓
Veterinary Medicines Directorate	Defra Executive Agency	✓	✓		✓	✓	✓		✓
Rural Payments Agency	Defra Executive Agency				✓				
Food & Environment Research Agency	Defra Executive Agency				✓		✓		
Centre for Environment, Fisheries and Aquaculture Science	Defra Executive Agency			✓	✓	✓	✓		
Health Protection Agency	Executive Agency of Department of Health	✓						✓	
Her Majesty's Revenue and Customs	Non-Ministerial Department				✓				
UK Border Agency	Executive Agency of the Home Office				✓				
Institute for Animal Health	Part of BBSRC, NDPB of Department for Business, Innovation & Skills				✓	✓	✓		✓
Food Standards Agency Operations Group (includes former Meat Hygiene Service)	Part of Food Standards Agency, a Non-Ministerial Department				✓	✓			
Local Authorities	Local Government			✓	✓				
Port Health Authorities	Local Government				✓				

2.29. Of course, Government activities such as those listed in the column headings are often difficult to classify into discrete categories. For example, delivery agencies will be consulted during the policy making process, and Ministerial decisions will sometimes be made that are directly relevant to enforcement of individual cases. It should also be noted that, in addition to the bodies included in the table, the Department for International Development and the Department of Health also have some policy making responsibilities on international issues or on human health issues which may indirectly impact on animal health and welfare policy in England.

How much is spent?

2.30. Expenditure on animal health makes up a substantial part of the total Defra budget (£356.5m from a total budget of £2.9bn in 2009/10 – around 12%), even in years when there are no significant disease outbreaks. Direct spend on animal welfare is small by comparison, at only £2.09m in 2009/10. It is important to note, however, that when outbreaks occur, the spend on animal health can be very much higher: events such as

the 2001 FMD outbreak, for example, proved extremely costly for public expenditure overall. That, together with the involvement of various other public bodies as well as Defra, makes the task of understanding and analysing current spend on animal health and disease prevention a formidable challenge. What is clear, however, is that much of the animal health budget is aimed at providing an emergency preparedness capability to respond to disease incursion and spread, and in providing that capability certain choices have to be made and balances struck in a changing risk environment. And whilst the public sector spend alone is complex, as noted above (more explanation is also offered below), the private sector spend is even more varied, and virtually impossible to collate in a comprehensive central exercise.

- 2.31.** Nevertheless, we set out to obtain as accurate a picture of all this spending as we could, incorporating different perspectives, but the focus has, for reasons of data availability, inevitably been on public sector spending. A number of specially-commissioned exercises were undertaken by Defra finance and policy staff, under the supervision of the Advisory Group's Finance & Resourcing Sub Group, to collate and analyse the information. The results are shown below in Charts 2.1 to 2.9.
- 2.32.** Looking first at Defra spend, because of the importance of the Defra resource commitment to this area and the focus on Defra spend set out in our Terms of Reference, we were concerned to get an independent view of the numbers generated by these special exercises, not least because, as explained in Section 1 above, some of the figures quoted in earlier consultation documents had been called into question by stakeholders. At our invitation, the National Audit Office (NAO) has been looking at the way in which Defra has compiled data for us and the robustness of those data. In their report, published on 18 October 2010, they advise that cost data provided to our Sub-Group are sufficient to give an indication of the nature and relative volumes of expenditure in a single year, although they also observe that they are not of a quality which would be needed to implement a comprehensive cost sharing regime, a point to which we return below in Section 5. The NAO also outlined some considerations that they felt might be helpful to us in framing our conclusions and we have had these in mind in developing our recommendations. We are most grateful to the NAO's team. A key-points summary of their separately-published report is shown in Box 2.1 below and the key areas for attention they identify are summarised in Box 2.2. The full report can be found at: http://www.nao.org.uk/publications/1011/animal_diseases.aspx

Box 2.1 NAO Key Findings

The Department's financial recording systems were not designed to measure the full cost of addressing specific disease risks in different farming sectors in the way needed by the Advisory Group and were not set up to support a charging regime. Rather, financial information is aligned to current policy objectives and systems supporting financial statement reporting.

The data do not measure, with precision, the full costs across all agencies of addressing specific animal health risks or apportion these both to disease risks and farming sectors.

The cost data are sufficient to give the Advisory Group a good indication of the nature and relative volumes of expenditure by the Department and its key delivery bodies. However, this information as it stands is not of the quality that would be needed to implement a comprehensive cost sharing regime.

The extent of change that might be required would depend on the data requirements of any future responsibility and cost sharing arrangements that may be proposed.

Box 2.2 NAO recommendations on key areas for attention

Consistency, completeness, reliability and relevance of the data

It is good practice to set out clearly the scope and boundaries of financial data. The full cost of managing animal health risk would also include expenditure incurred by the Department's other agencies and delivery partners with non-core animal health responsibilities. The Advisory Group may wish to consider which activities carried out by other agencies may be relevant, to ensure that the scope of the data is properly mapped out, and that all relevant costs are taken into account.

Financial data should be robust. The Advisory Group and the Department may wish to consider the implications of alternative ways of apportioning costs, what manual work or changes to financial systems may need to be made to generate reliable data in an efficient way, and the scale of work that this would entail.

Using cost data as the basis for well-informed decision making

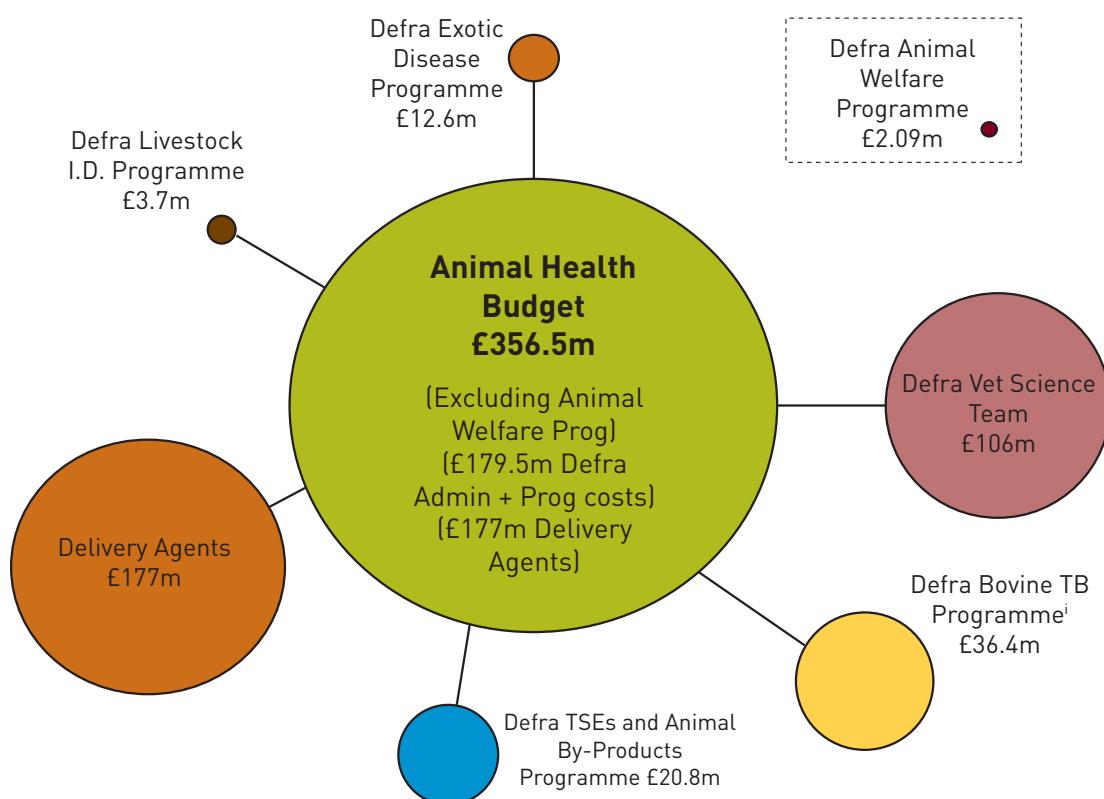
If costs are volatile, data for one year can potentially be misleading. Without full trend data, it is difficult to fully understand the ongoing costs of managing animal health. The Advisory Group may wish to consider what further time series data or analysis of underlying cost drivers may be necessary in order to implement a credible cost sharing regime.

Good management information should link cost data to the risks programmes are designed to address and the outcomes they are intended to achieve. The Advisory Group may wish to consider what data would be needed to further demonstrate the link between costs, risk and outcomes, as part of a responsibility and cost sharing regime.

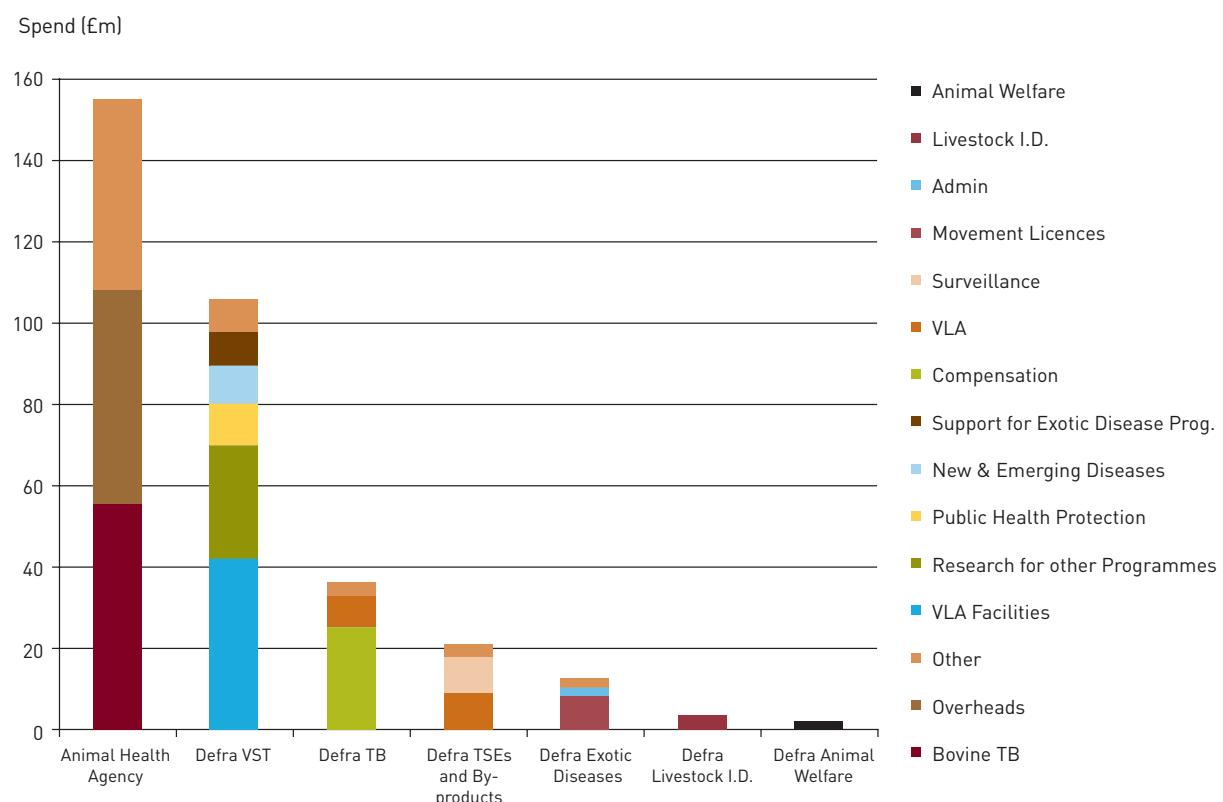
To help ensure that expenditure represents good value for money, scrutiny of budgets, both for ongoing work and for new projects, needs to be robust. The Department may wish to consider what more it can do to strengthen challenge and in-year monitoring of budgets.

2.33. Turning now to the charts themselves, Charts 2.1 and 2.2 below show the overall Defra animal health and welfare spend examined by the Sub-Group. Chart 2.1 shows the total as a series of 'bubbles' with the outlying bubbles representing smaller portions of, and adding up to, the central bubble (excluding welfare spend). Chart 2.2 shows more clearly how the bubbles compare in scale and how they break down.

2.34. It should be noted that the presentation of the financial information reported to us is influenced, to a large extent, by the current framework and capabilities of Defra's finance systems. We have observed as a Group, and NAO's work has confirmed, that Defra's systems do not at present provide activity-based costings. To ensure an accurate and consistent approach within our report we have reflected current accounting structures; however, this also means that the Veterinary Science Team (VST) expenditure is shown in isolation as a separate total, rather than as deployed to deliver other Defra programmes through research and surveillance, and through direct support to VLA.

Chart 2.1 Scale of Defra (including delivery agents) expenditure on animal health and welfare 2009/10

i. Excludes R&D and Animal Health Agency spend on TB

Chart 2.2 Comparison of 2009/2010 expenditure by activity, with breakdown within activity (£m)

Note: Animal Health spend is for GB, whereas core Defra programme spend is mainly for England.

2.35. Before commenting on the charts in detail, some general points need to be made:

- In the interests of time and effort, we have focused on actual spend in one year: 2009/10. The picture painted is thus a ‘snapshot in time’ and does not reveal trends or highlight what may prove to be one-off peaks and troughs. For example, ‘peacetime’ (when there are not major disease outbreaks) spend tends to be relatively consistent and predictable. But, as noted above, it can shoot up massively in response to a disease outbreak. For example, the Foot and Mouth disease (FMD) outbreak in 2001 cost £2.8bn to the public purse.
- Although not apparent from the charts, the trend in animal health and welfare spend over recent years has been downwards, largely due to the responsibility and cost sharing initiatives delivered in 2008/09 (e.g. the collection and disposal of adult fallen cattle, BSE testing of cattle slaughtered for human consumption, closure of the Ram Genotyping Scheme) and a decrease in the risk of TSE and the consequential need for testing. And at the same time there has been a volatile spend profile on bTB with a general upwards trend.
- The Coalition Government has announced its intention to reduce the public sector deficit significantly and, as a consequence, public sector spending is set to fall substantially overall. We return to the implications of the Spending Review below (see paragraph 2.49); here we note that, whilst at time of writing the detailed impact on animal health spending has yet to be determined, there is no reason to believe that it will be safeguarded.

2.36. Looking first at Chart 2.1, it shows in diagrammatic form a topline breakdown showing how Defra’s funds are applied to animal health in the livestock sector. The breakdown is:

Defra Bovine TB Programme	£36.4 million ⁷
Defra TSE and Animal By-Products Programme	£20.8 million
Defra Exotic Diseases Programme	£12.6 million
Defra Livestock ID Programme	£3.7 million
Defra Veterinary Sciences Team	£106 million ⁸
Animal Health Agency	£148.7 million ⁹

2.37. Charts 2.3 to 2.9 show each individual ‘bubble’ as shown in Chart 2.1 and their constituent parts broken down into more detail. Note that although they appear the same size as each other here, they represent very different amounts of money, unlike Chart 2.2 which directly shows their comparative scale.

⁷ This excludes R&D and Animal Health Agency spend on TB.

⁸ Of the Veterinary Sciences Team spend, £42.4 million went to the Veterinary Laboratories Agency for research facilities, while £27.8 million was deployed on research for other Defra programmes (including TSEs, TB and exotics), £10.5 million on public health protection, £9 million on new and emerging diseases and £8.5 millions on exotics, plus a further £7.5 million on smaller items.

⁹ Of the Animal Health Agency spend, a total of £56.1 million went on work related to Bovine TB. Animal Health Agency spend covers GB, whereas core Defra spend mainly covers England only.

Chart 2.3

Total Expenditure on Defra Bovine TB Programme £36.4m
 (Note: excludes R&D and Animal Health Agency spend on TB)

Of which:

Compensation £25t.4m (net of salvage & EU receipts)	VLA £7.9m	Other £3.1m
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Includes:

Cattle compensation, haulage/reactor, AHDB,
ex-gratia, EU income, salvage receipts

Includes:

Tuberculin stock,
BCG vacc project,
other TB activitiesAdmin & minor
spend**Chart 2.4**

Total Expenditure on Defra TSEs and Animal By-Products Programme £20.8m

Of which:

VLA (surveillance contracts) £9.3m	Surveillance £8.8m (net of EU income)	Other £2.7m
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Prog £2.35m
Admin £350k**Chart 2.5**

Total expenditure on Defra Exotic Disease Programme £12.6m

Of which:

Movement licences (Local Authority Funding for Trading Standards) £8.6m	Admin c. £2m	Other £2m
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Includes:
Avian flu, Bluetongue (net),
risk assessments, pets/rabies,
FMD vaccine costs**Chart 2.6**

Total expenditure on Defra Livestock I.D. Programme £3.7m

Of which:

Admin c. £1.5m	Sheep & goat EID Implementation £856K	Sheep & goat Inspections £725K	Other £622K
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Includes:
Equine ID £249k

Chart 2.7

Total expenditure on Defra Animal Welfare Programme £2.09mⁱ

Of which:

Admin £1.22m

ADAS
£310K

Other £550K

ⁱ. In 2009/2010 the Farm Animal Welfare Council was in another business unit, but it has now transferred to Animal Welfare, so costs relating to it are included here

Includes:
MHS £168K
VLA £150K
FAWC £128K

Chart 2.8

Total Expenditure on Defra Veterinary Science Team £106m
(Admin £7m, Programme £97.7m, Capital £1.3m)

Of which:

VLA Facilities £42.4m

Research for Other
Programmes
£27.8m

Public
Health
£10.5m

N&E
disease
£9m

Exotics
£8.5m
Other
£7.5m

Includes:
TSEs etc. £8.4m
TB £7.5m
Exotics £7.3m

'Other' includes:
Surveillance Strategy £2.3m
Vet Prof Services £1.5m
Facilitating risk-based
trade £1.5m

Chart 2.9

Total Animal Health Agency Net Expenditure £148.7m
(Total includes £6m income not reflected in the bottom line)

Of which:

Bovine Tuberculosis
£56.1m

Overheads £52.5m
(e.g. corporate support, hard
charges, non cash)

Other £46.1m

Includes:
Business Reform Prog £17.8m
International Trade £6.7m
Animal Welfare £4.4m
Animal By-Products £3.4m
Disease Control/Prevention £3.7m

2.38. What emerges clearly from this look at Defra expenditure is that much more resource is devoted to certain activities than others, with some very noticeable peaks to which we have devoted detailed consideration. In broad-brush terms, the key points to emerge are as follows:

- Defra spending is delivered through a number of different delivery organisations including agencies and NDPBs. In fact, of the total £356.5 million budget, some £177 million is spent by delivery agents, representing virtually 50% of the total.
- Of the £179.5 million spent by ‘core’ Defra (administration and programme costs), the largest proportion, £106 million, was spent by the Veterinary Sciences Team on maintaining VLA facilities, research and development for key programmes such as bTB and TSEs, veterinary and technical input to support exotic disease policy, and the smaller policy areas of public health protection, and new and emerging diseases.
- Within those headline figures the single largest identifiable area of spend was on Bovine TB, including £36.4 million of programme spend on the bTB Programme by core Defra, £7.5m by VST on research, and £56.1 million by the Animal Health Agency in 2009/10¹⁰. The second largest spend was on the TSEs and Animal-By-Products Programme by core Defra at £20.8 million.¹¹
- The majority of research and development (R&D) spend contributed to work on TSEs, bTB and exotic diseases. Surveillance is another critical activity, mostly carried out by the Veterinary Laboratories Agency (VLA) which received £34.5m for veterinary surveillance work for Defra. For example, VST spent £17.1m on VLA surveillance for exotic diseases, Salmonella, anti-microbial resistance and new and emerging diseases, while various Defra programmes also contracted out surveillance work to VLA (£7.7m for bTB; £6m for TSEs; and £0.2m for Animal Welfare). All of these figures are included within core Defra programme and VST spend.

2.39. As we saw above in Table 2.3, however, Defra is not the only Government body working in this area, and therefore Defra’s is not the only public money directed to animal health, welfare and disease control: we list below a number of other public bodies whose spend contribute to this area. As with Defra, many of the programmes, departments, agencies and services mentioned below will be affected by the Spending Review and there will inevitably be consequences for the role they play in animal health and welfare.

- The Rural Development Programme for England, while administered by Defra, consists of both EU and UK money and often requires an element of private sector matched-funding as a condition of disbursement and so is not included in the analyses above. A ‘Livestock Package’ was agreed as part of this programme, for which £107m of funding has been allocated over the total RDPE programme period (2007-2013). Of this £107m, about £17.83m is spent per annum on the livestock sector, of which at least £3.57m is spent per annum on animal health and welfare. These figures are approximate as RDPE spend can vary because of a number of reasons including fluctuations in exchange rates.
- The Food Standards Agency (FSA) Operations Group, which now includes the functions of the former Meat Hygiene Service (MHS), carries out some enforcement through hygiene inspections and funds some research and development. Its operating costs in 2009/10 were £36.8m net (£73.4m gross, less receipts from industry for some services). MHS spends in the order of £2m per year on R&D relevant to animal health, and in 2009/10 spent some £15m on programme costs.

10 This is different from the figure of £63m that appeared in the September Defra consultation document on bTB: “The Government’s approach to tackling the disease and consultation on a badger control policy” because the consultation figure took the costs of bTB in England only (while most core Defra spend is for England, Animal Health spend covers GB) and excluded items related to research and development and some small items of bTB science spend.

11 This included the cost of transitional funding of the National Fallen Stock Company (NFSCo) and the costs of FSA Operations Group’s official checks on specified risk material controls and (non-TSE related) non-recoverable meat hygiene controls on Over Thirty Months (OTM) cattle in abattoirs.

- The Department of Health (DoH) and Health Protection Agency (HPA) carry out work on human health that can directly contribute to prevention of zoonoses, to which it is difficult to attribute aggregated costs.
- The Biotechnology and Biological Sciences Research Council (BBSRC), an NDPB of the Department for Business, Innovation and Skills (BIS), funds animal health and welfare research through the Institute for Animal Health (IAH), which it runs, and through other institutions, and research tenders. It spent a total of £31.4m on animal health and welfare research in 2008/9, of which £13.6m went to IAH.
- The UK Border Agency (UKBA), an agency of the Home Office, provides risk-based anti-smuggling controls of imports, of animal products, and publicity to raise awareness, which contributes to reducing the risk of importing animal disease. Because their work is wide-ranging and single operations often have multiple objectives, spend specific to animal health and disease incursion prevention cannot be disaggregated.
- HM Revenue and Customs (HMRC) has responsibility for customs clearance for animals and animal products at borders. For the same reasons as for UKBA, its spending specifically on animal health and prevention of disease incursion cannot be disaggregated.
- The Department for International Development (DfID) contributes to some objectives relating to animal health promotion and disease control in developing countries which may have some beneficial impacts for the UK. The money spent on these activities is difficult to disaggregate from wider spend.
- Local authorities have a statutory duty to enforce animal health and some animal welfare legislation: they deploy Trading Standards Officers and Animal Health and Welfare Officers to do this and spend varying amounts accordingly.
- Port Health Authorities, part of the local authority landscape, check on food and animal products at Border Inspection Posts, but on the basis of cost recovery.

2.40.

In conclusion, it should of course be emphasised that, in addition to the public money disbursed on animal health and welfare, the private sector is also spending very considerable sums. It is virtually impossible to estimate the total resources contributed by the private sector to the promotion of animal health and welfare and the prevention of animal disease. All farmers, livestock keepers and animal keepers (including owners of companion animals) are constantly putting resource into keeping their animals healthy and in good welfare. It might be possible in theory to calculate some elements of private spend (for example, calculating the total spend on private veterinary treatment, including medicines), although we are not aware of any existing mechanisms to do this. But this does not reflect the total amount of money spent on promotion of health and welfare encompassing the day-to-day business of simply caring for the animals, such as constructing good quality animal housing, ensuring good farm hygiene, managing slurry and manure, or feeding and watering animals. It would be impossible to disaggregate the 'health and welfare' parts of these sorts of activities. There are also many instances of industry bodies contributing to the promotion of animal health, with or without public support, as we have seen above. Several of our case studies of success in partnership working reinforce this point.

What is the wider international, EU and UK policy framework for animal health and welfare?

- 2.41.** Our complex domestic map of the responsibility and cost sharing agenda is further complicated by the national and international landscape. Our focus is on England, but England is part of a complicated framework of relationships with the rest of the UK, with the EU, and with countries outside the EU. Each of these relationships has a different dimension. And other countries choose to deal with animal health in different ways, many having their own forms of responsibility and/or cost sharing. Annex F sets out some examples.
- 2.42.** Animal health and welfare is a topic of interest to the European Union and much of the UK's legal framework in these areas derives from EU legislation. Thus, policy changes in England need to take account of present and likely future requirements in particular areas.
- 2.43.** In 2007, the Commission published its new Animal Health Strategy for the EU (2007-2013). This set out a new direction for the management of animal health within the EU, under the banner "Prevention is better than cure" and reflecting the new challenges presented by, for example, changing patterns of disease and trade, and the impact of climate change. This Strategy has spawned an ambitious programme of work within the Commission to adapt existing animal health measures to the new vision. Importantly the strategy includes the commitment to produce a clearer regulatory framework, governed by a new animal health law for the EU. The Commission is expected to bring forward detailed proposals in this regard early next year, and it is clear that this represents an opportunity to simplify what is currently a complex web of animal health legislation and to introduce the flexibility to achieve the desired outcomes in ways that are appropriate to the different circumstances in each Member State.
- 2.44.** In this context, the EU plans, embodied in the Strategy, to move towards a pan-European approach to cost sharing are relevant. At present, the European Commission has instructed consultants to conduct a feasibility study into possible measures for introducing a cost and responsibility sharing scheme (CRSS) in Europe. This feasibility study will be published in January 2011 and will be followed by a period of analysis of the report's recommendations and consideration of all the options. An impact assessment will then be developed; this will in all probability not be published until 2012, subsequent to the implementation of the new EU animal health law. The European Parliament also voted a resolution in September 2010 asking the Commission to look at creating a European agricultural public insurance scheme to address risks from natural disasters and income instability, including those related to animal disease.
- 2.45.** There are also moves afoot in Europe on animal welfare. The Commission has launched an independent evaluation of animal welfare policy which will report at the end of 2010. This will analyse the results of Community policy on animal welfare as compared to the objectives of the current Animal Welfare Action Plan (2006-2010) and consider whether changes to the Action Plan are needed in terms of its scope, structure and working practices. The Commission will start to draft the new Action Plan covering the period 2011-2015 early next year. The European Parliament has also adopted an Own Initiative Report on the future direction of the Action Plan. This included such themes as a general European animal welfare law, a European centre for animal welfare, better enforcement of existing legislation and further work on welfare indicators.

- 2.46.** Defra colleagues have been closely in touch with the Commission as its plans develop, particularly those relating to cost sharing, and the Chair of the Advisory Group has met with Commission officials. Following these discussions, it is clear that the Commission's timetable does not preclude England developing and implementing its own ideas for responsibility and cost sharing now. We believe that, if our recommendations can make a positive improvement to the health and welfare of kept animals and to the relationship between Government and animal keepers, there is no reason not to go ahead as soon as possible.
- 2.47.** There is in addition a policy dimension going beyond the EU. Like most industries, agriculture is an increasingly globalised market. England, Great Britain, United Kingdom and EU animal health policies do not exist in isolation, as many farmers rely on international trade markets. Furthermore, animal diseases themselves do not recognise or respect national and international political borders (some preventative effects from geographical features notwithstanding).
- 2.48.** Turning to more domestic issues, the devolution settlement adds a further level of complexity to the picture. Animal health and welfare are not issues 'reserved' to the UK Government, and therefore Scotland and Wales can, and do, develop their own policies. Northern Ireland owns its own devolved policy and budget, and in practice has more of an interest in the animal health situation in the Republic of Ireland than in Great Britain because of the shared land border. So, whilst Defra makes and oversees the implementation of animal health and welfare policy for England, the Department also leads for the UK in international negotiations and retains some UK-wide responsibilities, including, at present, responsibility for most animal health budgets across Great Britain (although work is currently ongoing to devolve those budgets to the Scottish and Welsh Governments). The Advisory Group has, of course, been considering what new arrangements might be appropriate solely for England. But we have also kept in close touch with our colleagues in Scotland, Wales and Northern Ireland to ensure that our thinking is not developing in isolation.

What other changes are underway?

- 2.49.** As is inevitably the case when reviewing a major element of public policy, the world does not stand still whilst the review is in progress. In this regard there are five major issues relevant to our remit that are being addressed in parallel and where the full implications are not yet known, or where work is on-going as we prepare our report. These are described below; in each case we refer below, in Sections 4 and 5 respectively, to the possible implications for and links to our recommendations on responsibility and cost sharing:
- The Spending Review (SR). This crucial review sets the budgetary framework for public spending for the next four years and, as already mentioned above, in conducting our work we have proceeded on the assumption that spending on animal health and welfare will not be protected from what were anticipated to be cuts of the order of 25 – 40% on average across all Whitehall departments. The high-level results of the review were published on 20 October; in summary, they show that Defra's settlement under the SR equates to an overall cut in the department's budget over the next four years of 30%, including a 33% cut to the overall administration budget that covers staff costs and the cost of services such as HR, IT and Estates. The figure of 30% cuts equates with an average figure across Whitehall departments (including protected Departments) of 19%.
 - Defra's review of its delivery landscape. It was announced in June 2010 that two agencies of Defra, Animal Health and the Veterinary Laboratories Agency, are

to merge. We are very supportive of this move, which will in our view present significant opportunities for efficiency savings and improved value for money, but the detailed implications of the merger were not available to us at the time of writing of our report. Defra is also carrying out a review of its science agencies which is due to report next year.

- The Arm's Length Body review, the results of which were published on 14 October. This review contains proposals for significantly reducing the number of Defra arm's length bodies but, as we see it, there are no major implications for the animal health and welfare landscape, save that the Farm Animal Welfare Council (FAWC) will be reconstituted as an Expert Committee. We are glad that the services of this important body are to be retained, albeit under different arrangements. We also note that the Agriculture and Horticulture Development Board (AHDB) is to be retained but that discussions about its future are to be initiated: we commented above on the very important inputs that three of the AHDB's subsidiaries, BPEX, EBLEX, and DairyCo, are making to animal health and welfare initiatives; we hope that levy payers will continue to be supportive of these as and when they are consulted on the future role of the AHDB. Not part of Defra's delivery landscape, however, are the RDAs, the abolition of which was announced in June 2010. This, potentially affects the delivery of some initiatives in the animal health and welfare arena as the RDAs currently dispense monies under the EU's RDPE programme.
- The Coalition Government's approach to bTB. The Government published on 15 September a Consultation Paper entitled 'Bovine Tuberculosis: the Government's approach to tackling the disease and consultation on a badger control policy'. The consultation closes on 8 December, hence the results of consultation, together with the Government's decision as to the way forward, will post-date our report.
- The Task Force on Farming Regulation, chaired by Richard Macdonald. This Task Force, established in June 2010, has begun work looking at changes that could beneficially be made to the regulatory landscape insofar as it affects farming and food processing. It is due to report in April 2011; farmed animals (including animal health and welfare) will be a key focus of the report. We welcome the setting up of this Task Force, have discussed our emerging recommendations with its Chair, and have learnt from his early thinking.

Conclusions

2.50. As an essential backdrop to a discussion of responsibility and cost sharing, we have looked above at the complex landscape that is animal health and welfare. Our key conclusions are as follows:

- The kept animal sector is large and of considerable significance to society and the wider economy. It is highly diverse, involving many different species and many different players having varying objectives. In addition to the animal keepers themselves, there are very many other stakeholders: the veterinary profession; the animal keepers' representative bodies; other bodies concerned with animal welfare; and, in the case of farmed livestock, the food supply chain that contains many players from the animal keepers themselves through auctioneers, abattoirs, transport and distribution services to retailers; and, of course, consumers.
- Animal health encompasses a range of different animal diseases:
 - (i) diseases that are not usually present in the UK (or EU) and which affect animals only or both animals and man, such as Avian Influenza;
 - (ii) infections of kept animals of a type that may or may not cause clinical signs of disease in animals but cause disease in people (such as Salmonellosis); and

- (iii) diseases in kept animals that do not present a significant public health concern but which affect the welfare of those animals and, in the case of livestock, their productivity and thus the profitability of livestock keepers (such as BVD).
- Government intervention is often directed at the first and second of these categories but there may also be some Government support in respect of the third category.
- In the context of policy and delivery in the field of animal health and welfare, Government is only one player in a complex landscape. Other players – the very wide range of animal keepers themselves, their representative organisations, the veterinary profession, and very many sector and local initiatives – all have a role to play. And whilst many decisions are taken at the level either of the individual enterprise or by public bodies there are many excellent examples of partnership working already in operation. Any new arrangements must therefore encourage rather than discourage these initiatives.
- Looking in more detail at Government policy, delivery and enforcement in the area of animal health and welfare, the picture is one of a large number of different public sector bodies, some of them outside the Defra network.
- Looking at public expenditure, Defra is a key player, spending £356.5m on animal health and £2.09m on animal welfare policy and delivery in 2009/10. Of this, £177m, virtually half the total, was spent by Defra's delivery bodies. Within those headline figures the single largest identifiable area of spend was on Bovine TB, including £36.4 million of programme spend on the bTB Programme by core Defra (mainly for England), and £56.1 million by Animal Health (across Great Britain) in 2009/10. The second largest spend was on the TSEs and Animal By-Products Programme at £20.8 million. And Defra is not the only player: there are many other bodies whose spend may not individually be great or who may not count animal health issues as their key priority (e.g. the UK Border Agency and Local Authorities) but whose contribution is of immense importance to the animal health and welfare agenda.
- At our invitation, the National Audit Office (NAO) has been looking at the way in which Defra has compiled data for us and the robustness of those data. In their report, published on 18 October, they advise that cost data provided to our Finance and Resourcing sub-group are sufficient to give an indication of the nature and relative volumes of expenditure in a single year, but they also observe that they are not of a quality which would be needed to implement a comprehensive cost sharing regime.
- The complex domestic map of the animal health and welfare landscape is further complicated by the national and international landscape. Animal health and welfare is a topic of interest to the European Union and much of the UK's legal framework in these areas derives from regulations or directives from Brussels. And the devolution settlement further complicates the picture. So, whilst Defra makes and oversees the implementation of animal health and welfare policy for England, which is the focus of the Advisory Group's work, the Department also leads for the UK in international negotiations and retains some UK-wide responsibilities.
- Last, there are five major issues relevant to our remit that are being addressed in parallel and where the full implications are not yet known, or where work is on-going as we prepare our report. These are the Spending Review; Defra's review of its delivery landscape; the Arm's Length Body review; the Coalition Government's approach to bTB; and the work of the Task Force on Farming Regulation. We have taken the possible implications of all five of these issues into account in developing our recommendations on responsibility and cost sharing.

Section 3

An evaluation framework

Introduction

3.1. We have seen in Sections 1 and 2 above that responsibility and cost sharing for animal health and welfare has a long history and that there are many stakeholders with a part to play in the current arrangements: the animal keepers themselves and their representative organisations; the veterinary profession; in the case of farmed livestock contributing to the food chain, all the elements of that chain from processors through retailers to consumers; and, of course, Government itself. We now turn to a consideration of how best to evaluate proposals for moving forward in this complex arena. Who should bear responsibility for the many activities that need to be undertaken? Who benefits? And what can we say about who should pay? In the light of this discussion we look at aims and objectives and derive the criteria that in our view should be used in assessing options for responsibility and cost sharing going forward if those aims and objectives are to be met.

Who is responsible, who benefits, and who should pay?

3.2. We start with a consideration of responsibility. It is not necessarily the case that determining responsibility for a particular activity also determines who benefits or who should bear the costs – many other considerations will be relevant here – but it is a useful starting point.

3.3. It is generally agreed that the primary responsibility for the health and welfare of kept animals rests with the animal keeper, but other players have responsibilities too, as we have seen above. And Government's role is particularly important. For example, in the area of health and welfare, both human and animal, society will have at any point in time certain standards, often enshrined in law, which must be complied with. These strategic frameworks are in the ownership of Parliament and Government which, as a consequence, have the responsibility of ensuring compliance.

3.4. Furthermore, as we mentioned above in Section 2, there are numerous complexities that result from the fact that, in the area of health and disease prevention, individual decisions ('private' decisions) do not necessarily take into account wider 'public' considerations. For example, decisions concerning the extent to which precautions against infection are taken by an individual may not take adequate account of the implications of that decision for others. And the implications of such decisions may not be limited to other animal keepers: there may, for example, be direct implications for human health or, in the case of farmed livestock entering the food chain, implications for processors, retailers and consumers. In the jargon of economics, there are numerous 'externalities' and, potentially, significant differences between private and social costs and benefits which Government may, and does, take into account in designing policy initiatives.

- 3.5.** In addition, there are further complexities to take into account in the animal health and welfare arena. One of these relates to ‘ownership and property’ rights. Whilst it may, for example, be reasonable for society to decide that the management of a particular disease requires the culling of kept animals in the public interest, it is also recognised that the animal keeper may justly be entitled to compensation for the loss of his property. But at a time of disease outbreaks amongst farmed livestock, for example, animal keepers whose animals are not themselves infected may nevertheless suffer economic loss as a result of movement restrictions (as well as changes in market price). In other arenas, the market may make provision for compensating property-owners when they sustain a loss through no fault of their own: for example, cover against loss of assets in the event of fire or flood is obtainable through commercial insurance, as is cover against loss of business. But, in the case of culled animals, in the UK it is generally the state that provides the compensation rather than the market, whilst in the case of loss of business private insurance cover is available only in a few areas. We return to this point again in Section 5 below when we discuss the possibility of a wider role for insurance under our proposed new arrangements. Here, however, it is important to reinforce the point made above in Section 1 that the present compensation arrangements, that have grown up over time in response to particular disease challenges and have not been subject to a comprehensive review for appropriateness and consistency in today’s world, are also aimed at wider objectives than simply indemnifying against loss. They are also designed so as to encourage or discourage certain behaviours, for example to encourage the early reporting of possible disease.
- 3.6.** Last, but by no means least, Government, in pursuing its objectives for animal health and welfare, will also want to take into account its policy objectives in other, related, areas. We noted above in Section 1 that, since responsibility and cost sharing first appeared on the public policy agenda, other important issues have emerged, for example climate change mitigation and adaptation, and food security. Actions to support Government’s responsibilities in the animal health and welfare arena need to be considered against these other policy objectives too, and any conflicts identified and managed.
- 3.7.** So there are very many different strands to bear in mind in considering responsibilities in the area of animal health and welfare. Whilst it is appropriate for animal keepers to assume the primary responsibility – and bear a significant proportion of the associated costs, as indeed they do now – it is also appropriate for the public sector to make some contribution against its own responsibilities.
- 3.8.** In the case of some activities, this may imply that the public sector should bear all or most of the costs. The provision of ‘public goods’ provides an example. Policing and defence are generally regarded as ‘public goods’ and the costs of providing them are borne out of general taxation. In the same way, ensuring compliance with the law on animal health and welfare, and securing the borders of the state against the incursion of disease, might be regarded as properly the role of the state and the costs, similarly, borne out of general taxation. This would be appropriate if the general public are the beneficiaries, as, for example, is the case with law enforcement. And it may also apply in relation to matters such as border security: avoiding an incursion of disease can bring benefits to society more widely, not just to animal keepers. (Although there will remain a responsibility for those who import kept animals to ensure, and contribute to the costs of ensuring, that such animals do not bring disease into the country that can then be transmitted to others).
- 3.9.** More generally, in the case of some other activities relevant to animal health and welfare there may well be a case in principle for some element of cost sharing as between the

private and public sectors: the general public, not just animal keepers, benefit from such activities. We think it is right that the state will have a greater role to play, and will likely bear more of the costs, than might be appropriate in other markets, not least because of the many ‘externalities’ and ‘market failures’ mentioned above. And the state can and should use its interventions to incentivise particular behaviours, provided this is based on sound evidence as to what constitutes an incentive, a point to which we also return below in Section 5. But it should not be expected that the state will bear in full costs that go beyond such requirements. If, for example, certain services are provided by public bodies to animal keepers for their benefit then, provided that the services are efficiently provided and represent good value for money, raising a charge for them may be entirely appropriate, as is done in certain areas now. The only caveat we would enter here is that, where costs should properly be shifted from the public to the private sectors, consideration must be given not only to matters of efficiency and effectiveness but also to competitiveness considerations when looking at the timing and extent of such a shift.

- 3.10.** Against this complex background, we turn below to the aims and objectives of a new responsibility sharing regime, but before doing so there is one area where, in our view, there is likely always to be a role for the state, and that is to ‘stand behind’ in the case of catastrophe. We believe that new arrangements will reduce the risk and cost of animal disease, with the public and private sectors fairly sharing the costs, but if, despite all parties’ best efforts, there should be a catastrophic outbreak of animal disease – perhaps the incursion of a new disease altogether – the full costs of this should not in our view fall on animal keepers. As it is the role of the state to defend its borders so it is the role of the state to support, *in extremis*, any group that is the victim of catastrophic loss through no fault of its own. This would be true of human health, fire and flood, and should also be true of animal health.
- 3.11.** We have drawn together our views on what might be a good basis for new arrangements, using the information provided in Section 2 above as to the various activities currently being undertaken by the public sector and the various bodies involved. These are set out below.
- Policy-making. Table 2.3 in Section 2 above shows that this involves departments of central Government and its agencies; it is ultimately the responsibility of Ministers accountable to Parliament, informed by officials and other stakeholders. Whilst the public sector must meet its own costs it is reasonable for private sector stakeholders to contribute time and effort to the process. This, of course, they do now – as individuals, via representative bodies, and via a range of advisory and expert groups – although it is not always clear how and to what extent stakeholders’ input influences outcomes.
 - EU Negotiations. Again, this is ultimately the responsibility of Ministers, in this case Defra Ministers, and is supported by officials, but other stakeholders may and do make contributions in the same way as above or may, at their own cost, make direct representations to Brussels.
 - Advice & Guidance. Table 2.3 above focuses on public providers of advice but animal keepers are, of course, bearing the full costs of the advice they obtain from private service providers. The provision of advice from public sources, principally Defra and its agencies but with a role also for local authorities via Trading Standards Officers and Animal Health & Welfare Officers, is an example of where costs may in some circumstances quite properly be borne by animal keepers. If animal keepers value the service and it is provided efficiently and effectively charges may be appropriate. But there may also be wider issues here: to function efficiently, markets require reliable and accurate information to be available to all producers and consumers so that they can take sound decisions. This is particularly important in the animal-

keeping world. It is in everyone's interests that animal keepers should be well-informed and the risks of animal disease well-managed and the state therefore has a clear role to play: this activity would seem to be a candidate for cost sharing as between public and private sectors but with the public sector still making some contribution to costs.

- Inspection, Licensing and Enforcement. This category of activities contains several different components and involves many different public bodies. Enforcement and border protection we have suggested above is properly the role of the state, in the field of animal health as it is in any other area of the law. But the inspection and licensing regimes, whilst they may have 'public good' components, also bring benefits to animal keepers and, in the case of farmed livestock in particular, to retailers and consumers via the maintenance of standards of various kinds. The inspection regimes of leading retailers illustrate the point. This suggests a need to look carefully, in designing cost sharing arrangements, at where the benefits fall in determining who should pay.
- Testing, Surveillance and Risk Assessment. The same considerations apply here in that, whilst there may be 'public good' aspects and 'externalities', these activities, undertaken in the main by arm's length bodies responsible to departments of central Government, also bring benefits to animal keepers and other stakeholders. The identification and management of risk is fundamental and has to be a shared responsibility with shared costs.
- Research and Development. This very broad activity encompasses all the complexities associated with responsibility and cost sharing. At present, animal keepers, via their representative bodies, already commission and pay for some research themselves, whilst the public sector makes a contribution via a number of different public bodies, as Table 2.3 shows. What seems to be lacking is an overall strategic plan for R&D that is 'owned' in common, with agreement as to who should undertake, and pay for, what.
- Emergency Response. Delivering a response in the context of a major outbreak of disease, whilst it potentially involves all the players, is led by the public sector – Defra and its agencies – and in this respect is similar to other types of enforcement where the costs are initially borne by the state. But animal keepers benefit directly or indirectly as well as the general public. And, as we have seen above, part of the costs of particular measures that may be deployed, such as slaughter or movement restrictions, falls directly or indirectly on the animal keepers themselves. They may, in turn, be partly or wholly compensated by the state (under arrangements that have developed piecemeal over time, as we discuss in section 5 below) or, in some cases, indemnified through private insurance, or in other cases not indemnified at all. Whilst determining precisely who should pay for what in this arena is complex, there is at present little coherence in the overall arrangements for compensation and their effect on incentives and no sound and agreed basis for sharing responsibility and costs.

- 3.12.** As is clear from the above analysis, whilst the responsibility, and the costs, of some activities relatively clearly fall now to the public or to the private sectors alone, many more are candidates for 'sharing'. And determining an appropriate basis on which to share costs is a highly complex matter, requiring the weighing up of a set of factors and priorities – which may themselves be changing over time – and determining their relative importance, as well as taking note of other policy objectives in related areas. This is, in our view, the most powerful reason for advocating, first, partnership working between public and private sector participants in relation to the sharing of responsibilities and, second, establishing clear responsibility sharing arrangements before determining the details of any cost sharing programme. These are matters to which we return in Sections 4 and 5 below but here, against the background of the above

discussion, we turn to a consideration of the aims and objectives of a responsibility and cost sharing initiative.

Aims and objectives for a responsibility and cost sharing initiative

- 3.13.** In our view, the overall aim of responsibility and cost sharing can be expressed very simply as follows:

"The overall aim of Responsibility and Cost Sharing is to reduce the risk and cost of animal disease and improve the welfare of kept animals."

- 3.14.** But, whilst this has to be the overall strategic aim, we agreed early on in our work that we needed to have a set of governing principles that we could use when assessing options for change. We agreed six of these and they are set out in Box 3.1 below. The principles are highlighted and below each are the critical success factors that we agreed should support each objective.
- 3.15.** Principle One enshrines the objectives of the Animal Health & Welfare Strategy but extends them to cover the objectives of all animal keepers, both commercial and non-commercial. Principle Two also links into the Animal Health & Welfare Strategy by focusing on the outcomes needed to help achieve the strategy's vision. Principle Three focuses on partnership benefits that, if achieved, will lead to better value for each £ of resource spent, whether by the public or the private sectors. Principle 4 focuses on efficiency and effectiveness, whilst Principle 5 addresses fair and equitable outcomes. Principle 6 provides a salutary warning! As we have seen above, the RCS landscape is highly complex and there are very many inter-relating factors. In this area of public policy, above all, it is important to be sure that we understand the relationship between cause and effect: well-meaning initiatives that inadvertently produce outcomes that are the opposite of those intended are to be avoided.
- 3.16.** It is these principles, derived early on in our work, that we have had in mind in developing our recommendations for responsibility and cost sharing and we use them below in Sections 4 and 5. But as we have proceeded with our work it has become clear that there is a need now for a fresh start for the RCS initiative. The approach has been in the making for nearly 10 years. Proposals have been put forward that have not attracted the support of animal keepers and their representative bodies. There has been great suspicion amongst stakeholders of some of the numbers included in consultation documents and of the associated impact assessments. All this has led to a breakdown in trust between Defra and many of the groups affected by the proposals. A 'Fresh Start' is needed. And at the same time we have moved into a world of very severe restrictions in public expenditure and an even greater focus on efficiency and value for money. We see a need now to begin anew and, accordingly, we have added to our overall aim so that it now reads as follows:

"The overall aim of Responsibility and Cost Sharing is to reduce the risk and cost of animal disease and improve the welfare of kept animals."

But we also need to:

Rebuild and maintain trust between animal keepers and Defra; and improve the effectiveness and value for money of policy & delivery"

Box 3.1 Six General Principles for Responsibility and Cost Sharing

Principle One

R&CS should contribute to the achievement of society's objectives for AH&W:

- Public policy objectives:
 - To protect public health
 - To protect and promote the health & welfare of animals
 - To protect the interests of the wider economy, environment and society
 - To support international trade
- Industry's and animal keepers' objectives:
 - To promote profitable and sustainable animal-based industries
 - To sustain, develop and support non-commercial animal keeping

Principle Two

R&CS should help to achieve the AHWS vision by producing better outcomes:

- Healthy and humanely-treated kept animals
- High health status
- Disease outbreaks prevented where possible....
- and any disease emergencies managed efficiently and effectively
- A secure supply of safe animal products....
- leading to enhanced public confidence

Principle Three

R&CS should deliver 'partnership' benefits:

- Clarity of roles, responsibilities and accountabilities of all stakeholders
- Shared expertise
- Improved information and awareness
- Clearer understanding of costs & benefits
LEADING TO
- Better value for each £ of resources spent

Principle Four

R&CS should aim to promote efficiency and effectiveness:

- Best practice incentivised and poor practice discouraged
- Interventions related to risk and cost
- More efficient administration and delivery

Principle Five

R&CS should aim to promote fair and equitable outcomes:

- Risk- makers and risk- takers bear the consequences
- Beneficiaries (industry, other animal keepers, consumers and tax payers) make contributions related to the benefits received
- Perceived fairness: no stakeholder group feeling disadvantaged compared with others

Principle Six

In designing and implementing R&CS proposals every effort should be made to avoid:

- The "law of unintended consequences"!

Section 4

Sharing responsibility

The options

- 4.1.** We have argued above in Section 3 that it is in our view essential to establish clear responsibility sharing arrangements before determining the details of any cost sharing programme. Accordingly, we now turn to a consideration of the options for sharing responsibility.
- 4.2.** As we explained above in Section 1, there have been various suggestions made over recent years as to how responsibility sharing might be put into practice. Two main options considered were an advisory ‘arm’s length’ body and an executive ‘arm’s length’ body.
- 4.3.** The England Implementation Group (EIG) for the Animal Health and Welfare Strategy, which operated from 2005-2009, exemplifies one model of the advisory body approach. It was made up of individuals having relevant expertise and interest, all external to Defra. We have looked carefully at this model: we have talked to those involved and have studied the report on it commissioned by Defra. In our view there were a number of issues with this approach which make it unsuitable for responsibility sharing arrangements: it had, for example, a very broad and ambitious remit but it lacked the kind of authority necessary to gain credibility with external stakeholders as representing genuine sharing of responsibility.
- 4.4.** The executive arm’s length body model is exemplified by the proposal for a new NDPB contained in the draft Animal Health Bill put forward in January 2010 by the then Government. This model had some support at the time from stakeholders, although some of these favoured a Non-Ministerial Department (NMD) over an NDPB, but it also attracted considerable criticism and opposition, due in part to some of the other proposals put forward in the draft Bill. During our discussion of options, however, some members of the Advisory Group continued to see some merit in the idea, but a clear problem now is that, in current circumstances, it goes against the direction of the Coalition Government’s policy on arm’s length bodies, would be costly to set up at a time of financial stringency, and would require primary legislation. Most members of the group saw the new arm’s length body model as a risky and expensive approach.
- 4.5.** These two possible models for responsibility sharing are summarised in Table 4.1 below, together with our assessment of them. Also shown in the table are two other options: ‘No Change’, and ‘Government Withdrawal’. In our view, none of these options provide an acceptable way forward for public or private sector stakeholders.

4.6. The advisory and executive arm's length bodies we have discussed above: our assessment is summarised in the table. In our view No Change is not a realistic option either: whilst there have certainly been examples of where the present approach has worked very well (such as working up a new approach to Bluetongue Virus and to African horse sickness, as indicated by our case studies at Annex E), it is in our view manifestly clear that, in many areas, lack of trust points in the direction of a fresh start. Further, a powerful new incentive now exists in support of a change in arrangements. We face a period of cuts in public expenditure that are, in total, unprecedented in a generation. Defra alone will have to effect cuts of the order of 30% over the next four years. Activities will be cut and costs shared with or without new responsibility sharing arrangements: we believe external stakeholders will want to have a voice in the hard decisions that will have to be made. And last, but by no means least, for Government to opt out and leave decisions (and all costs) to the private sector is neither feasible nor desirable. We have seen above that the state properly retains a key role in the animal health and welfare arena, a role reinforced by EU legislation.

Table 4.1

Responsibility Sharing Model	Example of Model	Assessment
Advisory 'arm's length' body	England Implementation Group	Lacks executive authority and ability to take action. Lack of credibility with stakeholders
Executive 'arm's length' body	NDPB as proposed in draft Animal Health Bill	Not in line with Coalition policy on arm's length bodies Time-consuming and costly to set up Mixed support from industry
No Change	Defra continues to make key strategic decisions without industry involvement	Lack of trust requires change if cost sharing is to proceed at all Stakeholder involvement essential at a time of major spending cuts
Government Withdrawal	Leave industry to take whatever actions it thinks fit	Some intervention is essential in the public interest and is anyway required by EU

4.7. In the light of this, we have turned our minds to the design of a new model, one that would perform well against the objectives and performance criteria that we set out in Section 3 above and that would address the deficiencies and problems with the models put forward thus far. The strategic aim we have had in mind, as set out in Section 3 above, is to reduce the risk and cost of animal disease and improve the welfare of kept animals but also to rebuild and maintain trust between animal keepers and Defra and to improve the effectiveness and value for money of policy and delivery. To achieve this aim, we have put together a new model: a Partnership model that would, following our governing principles, need to:

- be effective and deliver value for money, understanding the commercial and other interests of the livestock industry and other animal keepers and recognising the public benefits of certain activities while realising cost savings and efficiency improvements;

- develop the confidence of farmers, other animal keepers, Ministers and wider society in the Partnership model and the policies and decisions resulting from it: decisions on animal health and welfare policy;
- rebuild and maintain trust between animal keepers, their representative bodies and other stakeholders, and Defra;
- fit with the wider departmental and Government structures and policies and with Ministerial responsibilities and departmental accountabilities; and
- be capable of being established quickly, and without the need for legislation, so that it can make an early contribution to the key issues that require speedy resolution at a time of major cuts in Government spending.

Our recommendation: an England Partnership Board

- 4.8.** The key features of a Partnership model that we believe can achieve these aims and objectives are summarised below:
- There would be a ‘Partnership Board’, having on it external members and key Defra officials: around 12 members in total. This would not be an ‘arm’s length’ body, but an integral part of the Defra decision-making process.
 - The Board would have responsibility for strategy: for policy development; for contributing to better regulation decisions; for prioritisation of expenditure; and for strategic oversight of delivery on all animal health and welfare issues.
 - The Board would be the single source of Departmental advice to Ministers on all strategic animal health and welfare matters: the Board’s aim would be to provide advice on these issues so as to minimise the risk and cost of animal disease and thereby maximise the benefits to animal keepers, to the economy and to wider society.
 - The Board would have an external Chair; the other external members, whilst acting collectively, would individually be independent of Government. Crucially, they would have, between them, a mix of skills and experience to cover the main ‘industry’ sectors and interest groups, and wider public interest issues, particularly public health; they would be individuals who will earn and retain the trust and respect of animal keepers and all other stakeholders.
- 4.9.** Below we expand on these key features, looking in turn at the scope and role of the Board; its composition and membership; issues of visibility, transparency and communications; its operational principles and ways of working; the relationship of the Board to the Devolved Administrations and the overall UK position; and the costs, risks and benefits of our proposals. We then summarise our conclusions.

Scope and role of the Board

Scope

- 4.10.** We consider that the Board should have within its remit strategic oversight of the whole of animal health and welfare policy and delivery undertaken by Defra in relation to England. This would cover all kept animals (including companion animals and aquaculture). It would encompass animal health, animal welfare, and public health implications of animal diseases and the transmission of disease to humans via animals. As we have seen in Sections 1 and 2 above, these policy areas are closely interlinked. We are agreed that all kept animals should be covered, for the reasons outlined in

paragraph 1.10: diseases and disease controls can affect both farmed livestock and other kept animals; and public health threats can emerge from any kind of kept animal. Welfare should be included for the reasons outlined in paragraph 1.11: Animal health is inextricably a major factor in animal welfare. And although welfare policy has some specific ethical dimensions, animal keepers have the primary responsibility, and bear the costs, of complying with welfare standards. Aquaculture policy is governed by similar health considerations as those for other animals. And as discussed in paragraph 1.12, public health considerations are crucial to any consideration of animal health, and we feel to split health from welfare would be not only to lose coherence but also, potentially, to increase public health risks.

Role

- 4.11.** We propose that the Board should be the sole source of Departmental advice to the responsible Minister on all strategic health and welfare matters relating to all kept animals in England. There should be no ‘parallel track’ of advice to the Minister from officials within the Department on these matters. This will give effect to the requirement that the Board, and in particular its external Board members, are central to the Defra decision-making machinery. It would be expected that the Minister would in most circumstances accept the advice offered by the Board. If, in exceptional circumstances, he decides not to do so he would make public his reasons for taking a different view.
- 4.12.** The Board should focus on strategic, longer term and cross-cutting matters with a potentially high impact on animal keepers and where communications with and input from the various sectors are key to success. This would include policy and budget priorities; development of key policies; overall management of the risk of threats from animal disease; surveillance and research priorities; and oversight of implementation and monitoring (including value for money considerations), including the ‘customer’ role for delivery of animal health and welfare policy by Defra’s agencies. (We expand on this latter point in paragraphs 4.33 – 4.35 below). The Board’s agenda should be aligned to the Defra and wider Government business cycle, such as the financial and business planning cycles, so that it can make decisions effectively and at the appropriate time. The Board’s deliberations should be consistent with better regulation principles.
- 4.13.** Routine advice to the Minister from officials within the strategic policy framework already considered and approved by the Board and determined by the Minister would not normally go to the Board (e.g. day-to-day policy development, routine correspondence, Parliamentary Questions (PQs), Parliamentary debates, speeches). The Board would, on request, be able to see any such advice going to the Minister. And, in the event of a major disease outbreak, the Board would be supportive of (but not interfere with or act as a brake on) the immediate day-to-day management of the crisis. Its role in a disease outbreak is discussed in more detail in paragraph 4.39.

Composition and membership

- 4.14.** We propose that the Partnership Board should be made up of both senior Defra officials and external members: we believe that only a mix of officials and external stakeholders on the Board will deliver true responsibility sharing. We recommend the total size should be around 12 members, this being in the range generally regarded as a good size for effective Boards. A much larger Board than 12 would render it difficult for all to participate effectively and runs the risk that the Board would degenerate into a ‘talking shop’, whilst fewer members would render it difficult to achieve the necessary range of experience and expertise.

- 4.15.** We consider it essential that the Chair should be an external member rather than an official; this will provide visibility to stakeholders and demonstrate that the work of the Board will be driven independently of any Government mindset.

Defra members

- 4.16.** The Defra officials on the Board should be the Senior Responsible Owners (SROs) in Defra with responsibility for the relevant budgets relating to animal health and welfare policy and its delivery. (There are currently four SROs but restructuring within Defra as part of current cost reduction exercises could potentially reduce this number). This would ensure that the Board has as members those civil servants with appropriate executive authority within Defra.
- 4.17.** The Defra Chief Veterinary Officer (CVO) should in our view be an *ex officio* member of the Board in his/her role as CVO for England. This is obviously an area of interest for the Devolved Administrations, as the CVO also has a UK-wide role. We have considered carefully the case for splitting the England and UK roles and appointing a different person for each, as was proposed in the Animal Health Bill. We have concluded that dividing the responsibilities in this way, whilst bringing in some additional clarity, could add complexity and confusion in other areas for limited benefit. But we accept that the role of the CVO in relation to the UK and Devolved Administrations is of considerable significance, and we return to this point later below (see paragraph 4.47).

External Members

- 4.18.** We have considered carefully what the role of the external (non-civil servant) members of the Board should be in order to deliver effective responsibility sharing and meet our aims and objectives. We think it imperative that the external members should be individuals who have the confidence and trust of major stakeholder interests, and preferably have close links to them. Collectively, they must bring knowledge and experience of the relevant businesses, customers and wider interests in animal health and welfare, be able to articulate the views and concerns of those groups and interests to the Board and the Minister, and report back to those groups on the work, the thinking and the agreed view of the Board.
- 4.19.** We consider that the external members of the Board should have appropriate skill sets for serving on a Board. The Board members as a whole should have complementary experience of the various livestock and kept animal sectors, reflecting the farming industry as a whole, other animal keepers, veterinary issues, and the wider public interest in animal welfare, public health, consumer safety and other wider societal matters.
- 4.20.** In our discussions it was clear that members felt it was essential that there should be strong links between external members and the various sectors; this issue arose particularly when discussing farmed livestock sectors. Some Group members felt that these links should go as far as to have some external members formally representing, or being nominated by, specific organisations or sectors. The majority of Group members, however, felt that this would be problematic, for a number of reasons. First, it would be difficult to decide which bodies should nominate members to a relatively small Board and smaller sectors would feel commensurately excluded. Second, the Board could be inhibited from reaching agreed positions on difficult issues if external members are constrained by the position of their nominating body and are effectively ‘negotiating’ on their behalf. Third, it would be incompatible with Ministerial democratic

accountability to Parliament: members of the Board need to be ultimately accountable to the Minister, and thus to Parliament, for their work on the Board, which includes making recommendations on how public funds should be disbursed, rather than being accountable to their nominating organisations.

4.21. For the Board to function effectively in reaching constructive agreed positions, we believe that all members should be collectively responsible for the decisions of the Board. As with all bodies that require collective responsibility, if a Board member were to disagree strongly with the position of the rest of the Board on an issue of principle, they would be within their rights to resign and to make public their reasons for doing so. Nevertheless, we are hopeful, indeed expectant, that constructive relationships and common objectives will overcome any serious dissension.

4.22. We propose, therefore, that the external Board members should serve in an individual capacity rather than as formal representatives of particular sectors or organisations. But establishing effective channels of communications between the stakeholder interest groups and organisations will be vital to successful partnership working. We propose that each external member would have a “portfolio” comprising lead responsibilities for one or more industry, sector or other interest groups, including the relevant professional bodies. They would act as communication channels between these groups and the Board. The way in which the various bodies and interest groups organise themselves to exploit these communication channels both into and out of the Board will be extremely important and, indeed, crucial to the Board’s effectiveness at representing the views of all animal keepers. We return to this in paragraphs 4.28 – 4.31 below.

4.23. It is worth noting here that, given the large number of sectors and groups with an interest in the work of the Board, it will not be possible, without having an over-large Board, for all sectors and groups to look to a Board member who has a particular personal background in their sector or group. But even the smaller sectors and groups must feel that they have appropriate links to the Board: this will be achieved by having a ‘lead’ responsibility for each one allocated as between the external Board members so that no group feels excluded.

4.24. Below we summarise in Box 4.1 the key features of the role of external Board members.

Box 4.1 External Members: Key Features of Role

- To contribute actively and constructively to the deliberations and work of the Board; to reach collectively-agreed and soundly-based views and decisions.
- To build good working relations with other members of the Board, and with officials, to ensure the effective working of the Board.
- To take lead responsibility for effective engagement and communication with a sector (or sectors) of the livestock industry and/or animal keepers, and/or other interested groups.
- To represent the Board, communicating its work, views and decisions to stakeholders and to the general public.

Appointments

- 4.25.** The Chair and other external members of the Board should be appointed by the Minister for fixed terms. The appointments process should be transparent and open. The appointments should be publicly advertised and the farming industry and other interested stakeholder bodies should be encouraged to publicise the advertisements, identify and encourage suitable applicants, and provide references for applicants where appropriate.
- 4.26.** The selection panels should include at least one prominent stakeholder to assist in identifying and recommending candidates who will be capable of fulfilling what will be demanding roles and, most importantly, who will have the trust and respect of stakeholders. Annex G sets out in more detail our proposals for the kind of competences and skills that the Chair and Board members should have.

Visibility, transparency and communications

- 4.27.** To be credible with industry stakeholders and customers, the work of the Board needs to be visible and clearly to have ‘clout’ in the decision-making process. This will be facilitated through regular meetings of the Minister with the Board and its Chair. A report by the Chair should be published after each meeting of the Board, with relevant papers published where confidentiality does not have to be maintained (e.g. commercial sensitivity, negotiating positions for European meetings, policies still under development). There will also be communication by external members to their relevant sectors as part of their “portfolio” responsibilities. The Board should produce an annual report, including input from the various sector groups that feed into it. The greater part of the Board’s agenda would not lend itself to having every Board meeting open to the public (this would also add costs), but the Board should hold at least one open annual meeting with the wider stakeholder community to explain and promote the work of the Board and to involve the wider stakeholder community in it.

Stakeholder engagement

- 4.28.** Individual Board members would have a general representational role, supported by the Chair, for the collective decisions of the Board as well as for their “portfolio” responsibilities.
- 4.29.** The relationship between external Board members with industry, sector and other interest groups is, in our view, crucial to the success of the Partnership model. This needs to include all key sectors and interest groups but we recognise there will be no single prescription for communication with these groups: the arrangements have to be ones that work for the groups concerned. There will be a challenge to establish viable and effective communication and engagement channels that will deliver really effective two-way communications between the Board and the farmer or animal keeper ‘on the ground’ and to enable stakeholders to feel true ownership of all these channels. Sector and other interest groups will need to take a strong role in making this happen. There is an expectation that ‘industry’ groups will take responsibility for, and lead action on, making the communication and engagement arrangements work and improving animal health and welfare in their part of the landscape. There will be a key role for representative bodies in supporting these arrangements. The existing Sector Councils or Sector Groups should be a useful starting point to develop effective communication channels in some cases.

- 4.30.** We believe relevant organisations should themselves consider how they can organise themselves and their sectors and interest groups to build these communication channels and support the Partnership Board, but the principles that should underpin these arrangements are set out in Box 4.2 below.

Box 4.2 Principles for Communication and Engagement Channels

'Lead' external Board member

- Attend meetings of relevant groups, present report back from PB, seek views and raise issues at PB

'Industry' or sector groups

- Owned, run and supported by the sector
- Provide good channel of communication to main groups/organisations /individuals
- Co-ordinate views on strategic policy issues relevant to the sector
- Link into relevant stakeholder groups

- 4.31.** Stakeholders such as farming interest groups, species or sector groups, welfare organisations and other interested parties should be invited to attend Board meetings on occasion and discuss issues directly with the Board by arrangement (although this would not preclude them also having regular contact with the Minister and informal contact with officials, as now).

Operational principles and ways of working

Time commitment and support

- 4.32.** We think the Board should normally need to meet between 6 and 10 times a year to ensure the focus remains strategic rather than operational. External members would need time to prepare for meetings and undertake communication with their “portfolio” of interest groups between meetings. But this would be very much a part-time “non-executive” role which should attract people whose main work remains elsewhere. The Board would be serviced by officials in Defra as a secretariat and by other officials on day-to-day policy development and strategic support as appropriate. External Board members would also look to industry bodies for information, analysis and advice, alongside civil service staff support. We think that it can only be helpful, and in keeping with the partnership approach, that ‘industry’ bodies and other stakeholder organisations be requested to offer such support as appropriate.

Delivery partners

- 4.33.** As noted in Section 2, Defra currently operates a model of delivery agencies having distinct ‘owner’ relationships and ‘customer’ relationships within the Department: these were described in Section 2 above. The Partnership Board should be the main England ‘customer’ for the relevant animal health and welfare work of delivery agencies. This would include, in particular, the new agency formed from the merger of the Animal Health and VLA agencies; but also, to a lesser extent, CEFAS, who are responsible for delivery of aquaculture health. Ministers, through senior officials, should continue to be the ‘owner’ of all relevant agencies, as is proper in accountability terms, particularly for those bodies who deliver GB-wide.

- 4.34.** The CEO of the new Animal Health and Veterinary Laboratories Agency should attend meetings of the Board as appropriate to ensure that delivery implications are considered in policy making, but would not be a member of it. The CEO would be held accountable by the Board for the Agency's England work, with which it is tasked by the Board.
- 4.35.** Additionally, as noted in Section 2, much animal health and welfare policy is delivered by bodies external to Defra and its agencies, and therefore outside the Board's immediate control. It will be crucial for the Board to work closely and effectively with all these other delivery partners in ways suitable for each case. This might include regular reporting arrangements, occasional attendance at meetings or simply informal contact.

Relationships with advisory groups and other experts

- 4.36.** The Board should draw upon the support and advice of a range of stakeholder and advisory groups focused on specific topics (diseases, animal sectors, trade issues etc). This will include existing groups whose work will inform Defra officials, the Board and the Minister (see Annex H for existing groups). Some are formal advisory groups appointed by and reporting to the Minister, others, such as core groups, have more informal structures. The Board would be able to propose new such groups or suggest reform to existing ones, with the recognition that direct access to the Minister for certain groups set up to report directly on particular issues would still be needed.
- 4.37.** These arrangements would protect the extremely important relationship envisaged for such groups in engaging with different kept animal sectors and in providing a crucial communications line in and out of the Board (see paragraphs 4.28 – 4.31).

Collective agreement

- 4.38.** The expectation should be that the Board will reach an agreed collective position, leading to advice and recommendations to the Minister. Where the Board is not able to reach full agreement on a particular issue then the 'pros and cons' of different options, and the support for each, would be included in the advice to the Minister. We would expect, however, that this would happen only infrequently.

Time-critical Issues

- 4.39.** The Board should have procedures for dealing with time-critical issues. These would include some decisions taken during disease outbreaks and also decisions taken to meet timescales for European business. Possible scenarios include the following:
- The Board has agreed the general policy framework for the business. Officials can operate within this, advising the Minister directly if needed, and reporting back to the next meeting of the Board.
 - A new topic arises needing a view from the Board before the next scheduled meeting. The Chair is consulted and can either convene a previously agreed "emergency committee" of a limited number of members or convene a meeting of the whole Board (by e-mail or in person).
 - There is a major disease outbreak. The contingency plan would include a specification of the way in which the Board should be involved. Initial action and decisions would be taken by officials in line with the contingency plan, as now, without the need to consult the Board. Subsequent decisions (e.g. balancing risk of disease spread against economic damage from control measures) would have

an agreed process, only including the Board (through the Chair and particular members) as previously agreed and set out in the contingency plan. The extremely important existing advisory and communications roles of core groups and sector groups should continue as now. It is essential that the Board's potential involvement does not slow down the response to an outbreak.

Accountability

- 4.40.** The Board will advise the Minister and ultimately be accountable to him. The Minister will take responsibility for decisions and, as now, will be accountable to Parliament. The Board's advice about spending will be considered by the Minister but will also fit in with the normal Departmental spending rounds and approvals processes and the Accounting Officer will still be ultimately responsible to Parliament for Defra spend. And, as noted above, it should fit with the wider Whitehall and Government structures and policies and with Ministerial responsibilities and departmental accountabilities.
- 4.41.** The Board will be accountable to stakeholders through openness and transparency, through appropriate reporting, and through genuinely effective communication and engagement channels.

Performance appraisal

- 4.42.** The Board would establish a regular performance reporting cycle to the Management Board and the Minister as appropriate to give an account of their collective performance. External Board members would have their individual performance appraised in a similar way to members of commercial boards and would be accountable to the Minister, with advice on their performance from members of the Management Board as appropriate. The performance of Defra staff in their role as Board members would be used as evidence in the regular Departmental appraisal systems although the Board would not have a role in the appointment to the Board of Defra staff, who will be members by virtue of their function as an SRO.
- 4.43.** It is crucial that the Board carries the trust of the farming industry and all other animal keepers. Input from the relevant sector or other interest groups could be built formally into an annual appraisal for the Board as a whole and for its members individually. In addition, these groups could be invited to write a section in the published annual report giving their views of the Board's work in that year.
- 4.44.** Should a particular Board member lose the trust of one or more of the sectors that they 'lead' on, this could be raised with the Minister at any time and would, of course, be treated with the utmost seriousness.

England and the UK

- 4.45.** The Board would be an England Partnership Board. We have already observed above, however, that much animal health policy is determined by the European Union (and to a lesser extent by other international organisations). Defra Ministers are responsible for UK international and EU animal health and welfare policy within concordats under the devolution legislation for consultation with Wales, Scotland and Northern Ireland. Defra officials in practice undertake and lead most of the work on European and international matters, working with colleagues in other parts of the UK. The UK CVO plays a major role in agreeing Ministerial advice and representing the UK in Europe and internationally, as do other Defra officials.

- 4.46.** We envisage that the Board would consider international issues and would formulate a view on the “England” position. This position would be informed by knowledge of views in other parts of the UK. The Board’s advice to the Minister in relation to England would be complemented by separate advice from Defra officials on the UK position, taking account of views from all four countries.
- 4.47.** As noted earlier, the CVO currently has two roles: as UK CVO and as England CVO. This reflects the nature of the devolution settlement where Defra (and its Ministers) have an England and a UK role. In his role as UK CVO, the post-holder would retain the right to advise the Minister independently on UK issues, particularly but not exclusively in relation to EU business. Concordats and agreements between the Devolved Administrations (DAs) and the UK already exist, governing the way these relationships work. If necessary these should be amended to reflect the establishment of the England Partnership Board.

Costs, risks, and benefits

Costs

- 4.48.** There will be some specific costs associated with setting up and running the Partnership Board. There will be initial set-up costs (recruitment etc); payments of fees and expenses (travel and subsistence) of the external members; and the costs of the Defra secretariat support to service the Board. We are proposing a relatively limited time commitment from external members, reflecting the strategic role of the Board, of just 6-10 meetings: including associated preparation time and communications work this would require perhaps 18-30 days per year per member in total, with a little more for the Chair.
- 4.49.** There will be a need for dedicated secretariat support for the Board (and the chair and external members) but its operation should be designed to be ‘light touch’: an integral part of Defra’s ways of working, not imposing additional work on other staff within the Department. There may be scope for some of this support to be provided by secondees from industry organisations: this would strengthen partnership working.
- 4.50.** Recruiting the Board, and establishing its working arrangements, will also need a one-off implementation team to be established within Defra. Because the Spending Review is affecting the way Defra works (and its costs), it is difficult, as we go to print, to cost precisely these requirements. It will be necessary to prepare a detailed and realistic costed plan for the business case (making a comparison to the counterfactual) in advance of implementation. We return to this in Section 6 below.

Risks to success

- 4.51.** Whilst we think that the new arrangements that we propose can add considerable value, there are a number of success factors, listed below, that will need to be met if the Board is to achieve what it sets out to do. Key to the arrangements will be the willingness of all parties involved to change their ways of working and act collaboratively in partnership.
- First, to identify and appoint the right people and ensure they fulfil their roles excellently. They must have the trust of animal keepers, but also be independent enough to be able to weigh competing evidence and make recommendations having weighed up all relevant interests. Properly specifying the requirements, followed by a sound appointments process, thorough induction, and good support will all help to achieve this.

- Second, to ensure that the communication and engagement channels with animal keepers and other stakeholder groups work appropriately and efficiently in enabling communication both ‘in’ and ‘out’ between the sector/stakeholder groups and the Board. This will depend on the skills and experience of the Board members appointed and a clear specification of their roles, and on the industry taking a strong lead in developing and implementing appropriate mechanisms for engagement. As noted above, it will also depend on establishing effective channels for all sectors and interest groups; the current sector group or sector council model can be a useful starting point in some cases. These mechanisms will provide crucial industry input, including technical advice, to the Partnership Board. Support from the relevant industry organisations in establishing these communication and advice channels will be vital.
- Third, Ministers will need to be committed to the new Partnership Board, understand and be comfortable with this new way of working, and be willing in practice to accept the Board’s advice and recommendations in most if not all instances.
- Fourth, Defra officials will need to adapt successfully to new ways of working, both as members of the Board and in supporting and assisting its work.
- Fifth, there will need to be leadership from industry organisations in demonstrating commitment to making the new model work.

Benefits

- 4.52.** We think that the new ways of working that the Partnership Board should engender can lead to great benefits. First and foremost, policy making and implementation should become more effective. This is because:
- a more thorough cross section of external views would be considered before recommendations are made;
 - there will be increased challenge and scrutiny of strategic policies and priorities, and better value for money of public expenditure;
 - there will be a single strategic overview of animal health and welfare policy within Defra (at present there is no single internal management structure in this area that brings together decision-making that currently involves four separate SROs);
 - there will also be a single strategic oversight body for stakeholders to engage and communicate with;
 - the arrangements will enable a greater understanding of and commitment to policy implementation by stakeholders and customers; and
 - there will be greater stakeholder and customer acceptance of a higher degree of responsibility and (where relevant) increased cost sharing.
- 4.53.** These benefits are very difficult to quantify as they depend on the level to which genuine improvements in ways of working and in outcomes can be found and achieved. Nevertheless, the Board arrangements we propose will support the reaching of agreement on who should bear which costs, through an improved shared understanding of what Government can and should do and what it can afford to do; on the strategic priorities for action; and on the risks, costs and benefits associated with them.
- 4.54.** These arrangements should facilitate, and indeed will be dependent upon, effective communications with the farming industry and other animal keepers through the strategic communication channels between external Board members and stakeholders. This will enable a greater two-way understanding: from stakeholders of the choices policy-makers have and the constraints they are under; and from Government of the motivations of, and business pressures on, animal keepers.

- 4.55.** In order to provide insight into how the Partnership might work in practice, we have looked at a number of different policy case studies and examined how the new arrangements might add value in comparison with the status quo. These focused on a range of policy issues covering exotic and endemic disease, financial prioritisation, handling European and Devolved Administration issues and welfare considerations. Our conclusions are summarised below in Box 4.3.

Box 4.3

Case studies on the role of the Partnership Board and how it could add value	
Policy Issues considered	
	Developing exotic disease control strategy Exotic disease outbreak Cost-saving exercise Bovine TB Poultry stocking density
Examples of potential added value of Partnership Board	Identify/prioritise need for control strategies Look at consistency in compensation rates Better/more efficient consultation Help with communications during outbreak Proactive identification of savings and value for money Advice/support/challenge to specific issue groups (eg TBEG) Ensuring other sectors understand why priority/resources directed at bTB Transparency in difficult or controversial decisions.

- 4.56.** Another advantage of the Partnership Board model is that it will be simple, quick and cheap to set up. It would not require legislation and the only costs associated with it are the initial implementation and ongoing running costs as set out above. It is a flexible and, in a sense, low risk option: if it could work better, the model can easily be modified and improved; or, if it proves not to work, it can be disbanded easily.

Conclusions

- 4.57.** The starting point for our consideration of responsibility sharing is our view that it is essential to establish clear responsibility sharing arrangements before determining the details of any cost sharing programme. That said, our key conclusions on a way forward are as follows.
- We have looked at two models for sharing responsibility that have been put forward in the past and have also looked at a 'No Change' model and a 'Government Withdrawal' model. In our view, none of these options provide an acceptable way forward for either public or private sector stakeholders. (See paragraphs 4.2 – 4.6 and Table 4.1 above).

- We have therefore developed a new model built around the concept of an England Partnership Board. This model, we think, addresses the deficiencies and problems of the models advanced thus far and has been designed so as to perform well against the objectives and performance criteria that we set out above in Section 3 of this report. The strategic aim of the proposed model is to reduce the risk and cost of animal disease and improve the welfare of kept animals but also to rebuild and maintain trust between animal keepers and Defra and to improve the effectiveness and value for money of policy and delivery.
- The Partnership Board would need to be effective and deliver value for money; develop the confidence of farmers, other animal keepers, other stakeholders, Ministers and wider society in the Partnership model; rebuild and maintain trust between stakeholders and Defra; fit with the wider departmental and Government structures and policies and with Ministerial responsibilities and departmental accountabilities; and be capable of being set up speedily so that it can make an early contribution to the key issues that require speedy resolution at a time of major cuts in Government spending.
- The Partnership Board would, in summary, have the following features:
 - it would be made up of external members and key Defra officials: around 12 members in total, with the external members in a clear majority;
 - it would not require legislation to be set up, or be an ‘arm’s length body’; but would be an integral part of the Defra decision-making process;
 - it would have responsibility for strategy: for policy development; prioritisation of expenditure; and strategic oversight of delivery on all animal health and welfare issues;
 - it would be the single source of Departmental advice to the Minister on all strategic animal health and welfare matters in England;
 - it would have an external Chair, and the other external members would have, between them, a mix of skills and experience to cover the main ‘industry’ sectors and wider public interest issues; they would all be individuals who will earn and retain the trust and respect of animal keepers and all other stakeholders.
- We have set out our detailed recommendations on the scope and role of the Board; on its composition and membership; on issues of visibility, transparency and communications; on its operational principles and ways of working; and on the relationship of the Board to the Devolved Administrations and the overall UK position in paragraphs 4.8 – 4.47 above. We believe that the arrangements we propose are sound and can work, but we also emphasise that implementing them will not be without risk and we identify in paragraph 4.51 the factors that will be critical to its success.
- Whilst there are risks to manage, we nonetheless believe that the Partnership Board model, because it demands new ways of working, can generate great benefits, which we describe in paragraphs 4.52 – 4.56 above.

4.58. In our view, the new arrangements that we propose offer real change and the chance of genuine responsibility sharing, giving real input for stakeholders into the policy-making and delivery that affects them. And we believe they provide an acceptable basis upon which to consider cost sharing, to which we turn in the next Section of our report.

Section 5

Sharing costs

The options

- 5.1.** The starting point for a discussion of cost sharing options is, as we have explained above, our view that responsibility sharing is the key to getting agreement on cost sharing and that responsibility sharing therefore has to be the foundation. Only when credible arrangements for sharing responsibility have been established can decisions on cost sharing be properly debated and defined. In the light of this, we believe that our proposed arrangements for responsibility sharing, set out in Section 4 above, should be implemented before any significant new cost sharing measures are introduced.
- 5.2.** That said, we have considered a range of options for sharing more of the costs of animal health and welfare as between Government and animal keepers and we report on these below in the belief that this will be helpful to the Partnership Board once it is established. Before doing so, however, some general observations are relevant. Sharing costs carries with it a very substantial degree of potential complexity. We have seen this above in Section 3, where we noted that very many of the activities in the animal health arena carry shared responsibilities, deliver benefits to a wide range of different groups, and where, in theory, part of the associated costs might reasonably be shared as between public and private sectors. But we also observed that determining an appropriate basis for sharing is a highly complex matter, requiring the weighing up of a set of factors and priorities – which may themselves be changing over time – and determining their relative importance. It follows that there is unlikely to be a “one size fits all” solution to cost sharing but there is a need for a systematic approach. We need to be clear what needs to be done in order to protect animal health, by identifying the irreducible minimum level of intervention, examining the options, and determining the costs and benefits associated with each. Then we need to consider who is best able to take action and how the processes employed can be deployed to maximise efficiency. We believe the Partnership Board arrangements described above in Section 4 should take ownership of this agenda but, as a starting point, we have conducted some initial analysis of prioritisation and efficiencies as well as looking at the principal options that will be available to the Board in making its decisions on cost sharing.
- 5.3.** In summary, we are suggesting that the Board should take a phased approach to cost sharing. The starting point, we believe, has to be a bottom-up value for money review of all animal health activities that will identify genuine priorities and also lower priority areas of expenditure, as well as identifying scope for alternative delivery and funding mechanisms, such as contracting out or privatisation. Such a review will be greatly facilitated by the work we have done, by the work the Task Force looking at farming regulation is doing (and by consequent Ministerial decisions), and by the work underway to implement the AH/VLA merger. Thereafter, we suggest the Board should consider first

those options that can be implemented quickly and with minimal difficulty and second those that will require further effort. And in this context the report that the NAO has produced for us is highly relevant. The NAO makes clear that, although the cost data provided to us by Defra in the special exercise that we commissioned are adequate to give an indication of the nature and relative volumes of expenditure in a single year, they are not of a quality which would be needed to implement a *comprehensive* (our emphasis) cost sharing regime. This would, in the view of the NAO, require substantial changes to the financial recording systems. Such an exercise would clearly be time-consuming and costly. We believe, however, that the changes necessary to support cost sharing in the delivery landscape are rather easier to make and the merger between Animal Health and the VLA that we referred to in Section 2 above provides an excellent opportunity for doing this.

- 5.4.** And we are also of the view that, whilst the Partnership Board should have ownership of cost sharing arrangements going forward, there are some actions already underway where progress can be made before the Board can be constituted.
- 5.5.** First, there is the Spending Review. It is now clear that further work is needed in the near term on the implications of the Spending Review for Defra's spend on animal health and welfare. We have observed above (see paragraph 2.49) that Defra's settlement, announced on 20 October, equates to an overall cut of 30% in the Department's budget over the next four years. Much work will need to be done to translate this into projects and plans, although we note that making more efficient use of resources for animal welfare and disease prevention and control by taking forward proposals to involve the industry in sharing responsibility and costs has been identified as a key component of Defra's plans.
- 5.6.** And, second, there is the review of the fees and charges regime as applied in the delivery landscape that is currently already being undertaken by Defra. This review is in our view necessary and should proceed apace: its results will be highly relevant to the Board's agenda.
- 5.7.** Against this background, we set out below our views on the other key components of a cost sharing agenda.

Efficiency and value for money improvements

- 5.8.** Value for money issues are fundamental to any proposals to share costs but at the present time the issue is absolutely paramount. The global recession of 2008, prompted by the banking crisis, has led to large fiscal deficits in most of the developed world. In the UK, the Coalition Government has taken the view that the most effective way of managing the UK's deficit is to reduce radically public spending over the duration of the next 4-year spending period. The Spending Review set out the plans for this.
- 5.9.** One of our tasks as set out in the Advisory Group's Terms of Reference was to: "Examine the current use of resources by Defra in meeting the challenges of animal health and consider the way in which they should be deployed and prioritised in order to maximise the efficiency of the new body". Whilst we think the implementation of our ideas with regard to a new body is crucial to the cost sharing agenda, the current climate also makes it important that we should express our views on efficiency and prioritisation, and on the overall landscape of Government expenditure on animal health, as input to the Board's consideration of these issues in due course. And, in July, the Minister attended one of our meetings and specifically asked for our views on financial priorities.

As explained above, the Advisory Group tasked its Finance & Resourcing Sub-Group with looking at the current levels of spend and the analysis provided to us by Defra can be found in Section 2 above (see paragraphs 2.30 – 2.40). The views of the Advisory Group on delivering savings, helped by its sub-group, are set out in the following paragraphs.

- 5.10.** We are agreed that a key element in delivering savings has to be improved efficiency within the Defra and its agencies (and the other public bodies involved with animal health and welfare issues): doing things cheaper, smarter, quicker and with fewer people. We recognise, however, that efficiency savings alone are unlikely to deliver all the savings demanded. As explained above, a full value-for-money (VFM) review of all the activities in the animal health and welfare arena should in our view be a priority for the Partnership Board: this will lay the foundations for realising efficiencies and for changing the map of the activities themselves (cutting things out as well as doing things differently) in order to release funds. The review should pose the following questions in relation to each activity:
- Is it essential?
 - Does it deliver enough value?
 - Does it have to be done within Government?
 - Or can it be outsourced in some way so as to provide better value for money and/or lower overhead costs?
 - Is there ‘gold plating’ of regulations?
 - Can it be scaled back/deferred?
 - Can it be funded directly (e.g. via charging)?
- 5.11.** Also relevant to the VFM study will be to look at who does what in the animal health and welfare landscape. We observed above that there is quite a large number of different public bodies engaged in animal health and welfare-related activities, some outside the Defra network altogether, and it is not clear that this is within a coherent framework of responsibilities or that it is conducive to efficiency and effectiveness. There must be a renewed determination to find new, innovative and competitive ways of delivering policy so as to improve value for money dramatically. We mentioned in Section 3, for example, the matter of R&D, where what seems to be lacking is an overall strategic plan for R&D that is ‘owned’ in common, with agreement as to who should undertake, and pay for, what.
- 5.12.** More generally in relation to value for money, the review currently being undertaken by the Task Force on Farming Regulation under the chairmanship of Richard Macdonald provides an excellent opportunity to take forward a number of these issues. For example, the Task Force is considering principles for determining whether non-regulatory or regulatory approaches are more appropriate for attaining desired outcomes. The Task Force is also already looking at the composite Government regulatory/inspection regime to see whether there is scope for consolidation, development of a more risk-based approach (potentially including a new relationship with the private sector) and a reduction in burdens on farmers: all of this may offer the potential to save costs for both Government and industry. The Partnership Board will no doubt find the conclusions of the Task Force very helpful to the VFM study that we believe should be a priority.

- 5.13.** For now, however, our view is that it will be vital to retain those activities that focus on risk mitigation and preparedness for an outbreak, because cuts which affect Defra's ability to carry out these activities could well result in a substantial increase in costs in the event of any outbreak. We observe, however, that within the general need to maintain the right level of preparedness lies a whole range of options around finding the optimum level of surveillance and research and development. We were particularly interested to hear more about the 'D2R2' disease prioritisation database developed by Defra veterinarians and welcome further progress in the use of this tool, which should help greatly in making rational decisions in this complex area.
- 5.14.** And also in the context of value for money, we have observed that Defra is beginning to make better use of economic analysis to inform its decisions about disease control and more general resource allocation questions for animal health and welfare. This is a welcome development and one that should be endorsed and encouraged by the Board. In particular the techniques of social cost benefit analysis are appropriate when considering decisions relating to disease control and other resource allocation decisions where questions of value for money are at stake. In order to carry this through, good use needs to be made of epidemiological modelling, such as the D2R2 model mentioned above, but the available models may need to be developed further to include specific economics and resource use modules and to quantify disease risk and impact.
- 5.15.** We also feel that spending in certain areas reflects historic risks which have since changed. TSEs expenditure is an obvious area where risk profiles have reduced significantly. Spending in this area has reduced significantly in recent years, reflecting the changed risk. However, further reductions in spending should be possible to make the level of priority and resource assigned to this area fully commensurate with risk. We acknowledge, however, that this can only be achieved with EU agreement: obtaining this should be a priority and the European Commission's 'TSE Roadmap 2' provides grounds for optimism.
- 5.16.** We also consider that the level of bTB spend needs to be fundamentally examined given the quantum of resources directed towards it, although the Coalition Government's policy in this regard means that spend in this area, and the sharing of costs, is to be examined in detail anyway. The bTB issue in our view provides an interesting example of how the various influences around disease risk and compensation have played out in practice and these issues will doubtless feature on the Board's agenda.
- 5.17.** Finally, we would urge both Defra in the near term and the Partnership Board once established to protect the role of 'pump-priming' public sector contributions to local and other sector initiatives. We observed above in Section 2 that there are many examples of where very valuable local initiatives have benefited from a modest amount of public money that has had the effect of unlocking private sector contributions. RDPE money disbursed through the RDAs provide but one example. These are all excellent examples of responsibility and cost sharing: we believe the private sector should be encouraged to develop such initiatives and that an element of public sector funding to 'pump prime' can be crucial. We believe this should be protected in any new arrangements.

Fees and charges

- 5.18. A number of Defra's executive agencies currently charge individual farmers, animal keepers or commercial bodies for certain services they provide. To levy a charge where a service is provided efficiently and effectively and is valued by the recipient, and also meets HM Treasury guidelines for a fees and charges regime, is in our view appropriate, subject only to competitiveness considerations. We observe, however, that the current regime of fees and charges has grown up somewhat haphazardly and lacks coherence. It is clear that some charges are not recovering the full cost of the relevant service (HMT guidelines require full financial costing, problematic at the present time across part of the landscape without further work on financial systems, as explained above); that there is inconsistency between similar charges; and that the method of revenue collection can be somewhat antiquated. There is a further category of expenditure where legal provision is made for charging but apparently no charge is applied in practice, although it is not always clear why.
- 5.19. As mentioned above, Defra has initiated a project to examine this charging landscape and to recommend reforms, focusing initially on Animal Health's services. We greatly welcome this, which in our view will be very helpful to the Partnership Board. And we would emphasise the importance, in undertaking this work, of examining the scope for systems improvements that can support an improved approach to a fees and charges regime. This is one area, bearing in mind the view of the NAO that current systems cannot adequately underpin a cost sharing regime, where we feel relatively simple changes may be possible and appropriate. There will be an opportunity to do this when looking at the changes to systems anyway required as a result of the merger of Animal Health and the VLA.

Compensation for loss and the role of insurance

- 5.20. We have been looking carefully at the current arrangements for compensating animal keepers for losses due to animal diseases. Current spending on compensation is approximately £30m (mainly on bTB) but in the event of an outbreak of a highly infectious exotic disease such as FMD then compensation can run into hundreds or even thousands of millions of pounds under current compensation and disease control policies. In other areas of economic activity such a risk of loss would be borne by the businesses themselves, and in practice businesses often take out private insurance cover in relation to such risks.
- 5.21. In looking at compensation arrangements, there are two main questions to be answered. First, is the current system, with different compensation rates and different valuation systems applying in different parts of the landscape, itself fair in the way it allocates public funds as between different livestock sectors and different diseases? And, second, are there ways in which the costs and risks of livestock disease losses could be more fairly shared between Government and the industry? As a possible solution to this second problem we think it is important to investigate whether insurance could play an increased role in the overall arrangements: for a number of reasons that we explore further below there is currently little commercial cover available, or taken up, in the animal health arena. A key factor is undoubtedly that current compensation payments effectively provide a form of 'free' insurance, thus reducing demand, and may be changed at short notice, thus rendering it well-nigh impossible for underwriters to assess the risk of a claim.

- 5.22.** Looking first at current compensation arrangements, at present the Government pays compensation in most circumstances for farmed animals subject to compulsory slaughter in cases of notifiable disease. (It is worth noting here that compensation is not necessarily paid for other animals, such as equines; and that some compensation regimes distinguish between ‘affected’ and ‘unaffected’ animals.) But behind the policy of compensation for farmed animals lie a number of distinct rationales. In some cases (e.g. TSEs) there is an EU legal requirement for owners to be compensated for the loss of animals which are killed compulsorily.
- 5.23.** One of the traditional arguments is related to ownership rights (already discussed in Section 3 above). The Government is, in effect, confiscating and destroying private property. Under this logic, the amount of compensation should be related to the state of the animal. If it is diseased (or at increased risk of being infected), its commercial value will undoubtedly be less than if it were healthy, and different diseases will have a greater or lesser effect on the value. In outbreaks of highly infectious disease, such as FMD or CSF, this approach has a particularly important feature in that the speed of action required to control the disease means that some animals are slaughtered before they are confirmed as infected and may not, in fact, be infected at all. In these circumstances, to pay less than full compensation for the value of the animal would, it is argued, provide a basis for legal challenges that could delay slaughter and exacerbate the effect of an outbreak. Further, as some diseases can easily cross physical boundaries, Government compensation also helps to ensure that animal keepers are not unfairly disadvantaged by other farmers’ actions. And, finally, compensation arrangements can incentivise behaviour that helps to control disease by, for example, encouraging livestock keepers to report disease. Without compensation there could be a temptation to destroy the animals involved privately and thereby avoid the commercial drawbacks of lower health status for the holding in question.
- 5.24.** A summary of the current highly complex compensation arrangements is shown below in Chart 5.1, and further details are in Annex I.

Chart 5.1 Compensation guarantees provided by Defra to the livestock industry

This table provides a snapshot of the compensation guarantees for 11 notifiable and non-notifiable diseases.

	Full Market Value	< Market Value	Nil
Cattle	Bluetongue ⁱ TB ⁱⁱⁱ and TSEs (av. market value)		Bovine Viral Diarrhoea ^{viii} Mastitis ^{viii}
Sheep & goats	Foot and Mouth Disease ⁱⁱ TSEs ^{iv}		
Pigs		Classical Swine Fever ^v Comp reduced to 50% market value if disease present Aujesky's ^{vi}	
Poultry & birds		Poultry diseases (Avian Influenza, Newcastle etc) ^{vii} Comp capped at £300, but removed if infected with disease Comp removed if disease present	Salmonella ^{viii}

Notes:

- i The current Government policy for **Bluetongue** is vaccination. The compensation guarantee for healthy animals presented in the table is therefore superseded by the Government's current disease control strategy.
- ii Compensation guarantee arrangements for **Foot and Mouth Disease** are currently governed by the following legislation, 'Schedule 3 of the Animal Health Act 1981', Section 16 of the Animal Health Act provides power to slaughter animals that Secretary of State caused to be vaccinated. Finally the 'Foot and Mouth Disease (Ascertainment of Value) (No 5) Order 2001', prescribes that valuations are no longer arrived at through 'Diseases of Animals (Ascertainment of Compensation) Order 1959 or through previous Order (No 4), but through this superseding order.
- iii The 'Cattle Compensation Order 2006' governs compensation arrangements for animals slaughtered as a result of **Tuberculosis**, **Brucellosis** and **Enzootic Bovine Leukosis**. Where there is no table valuation, the provisions of the 'Individual Ascertainment of Value (England) Order 2005' apply, whereby compensation will be determined by independent individual valuation.
- iv The 'TSE (England) Regulations 2010' governs compensation arrangements for animals slaughtered as a result of TSE. For BSE, farmers have the right to individual valuation where there is no table value. For Scrapie, farmers may have the right to individual valuation if they do not agree with pre-determined valuations.
- v 'Schedule 3 of the Animal Health Act' governs compensation guarantee arrangements for **Classical Swine Fever**.
- vi The '**Aujesky's** Disease Order 1983' enacts section 32 of the Animal Health Act. Specific compensation guarantee arrangements are defined by the '**Aujesky's** Disease (Compensation for Swine) Order 1983'.
- vii 'Schedule 3 of the Animal Health Act' governs broadly the compensation arrangements for **Poultry diseases**. However more specific and detailed legislation is laid out in the 'Avian Influenza and Newcastle Disease (England and Wales) Order 2003'. This enacts section 16A of the Animal Health Act which states the Secretary of State must pay compensation for any animals he vaccinates then slaughters.
- viii The current Government policy is to not provide any compensation guarantees for **Bovine Viral Diarrhoea**, **Mastitis** or **Salmonella** as these diseases do not present a significant public health risk.

- 5.25.** It is clear that, much like the fees and charging arrangements discussed above in this Section, compensation payments are not at present consistent across different species or diseases, having often been developed in response to specific problems at particular times. Some of the relevant legislation dates from around one hundred years ago and has been added to in a somewhat inconsistent manner. This means that different sectors of the livestock industry are treated very differently under current arrangements: one of the consequences is that this might not necessarily lead to the right incentives so as to maximise the beneficial effect of these arrangements on the risk of disease incursion and spread.
- 5.26.** We are of the view that compensation payments should be looked at fairly and consistently and in the round. It is unlikely that a single set of arrangements is appropriate as between species and diseases as the ability of compensation to incentivise beneficial effects is likely to be different for different diseases but there should be consistency of approach, based on clearly understood and explicit principles that all parties buy into.
- 5.27.** In principle, there may be a case for differential compensation payments for those who follow good practice as compared with those who engage in higher risk practices in biosecurity and livestock management terms. This principle would also have considerable potential for incentivising lower risk behaviours. This approach has, for example, already been implemented in one Statutory Order in Wales¹².
- 5.28.** We are aware, however, that building in such incentives might be very difficult to implement, both for practical reasons and to ensure fairness. The many practical issues would need careful thought and deliberation. Our sixth governing principle, to avoid as far as possible the law of unintended consequences, is particularly relevant here. We think a key task for the new Partnership Board should be to examine the consistency and necessity of the various compensation arrangements and their related disease control strategies and whether differential rates or differential control actions could be applied for differing biosecurity practices.
- 5.29.** Turning now to the question of insurance, as noted above there is not at present a large private market for insurance related to animal health or disease, either in relation to direct losses from disease or for indirect losses in outbreaks (e.g. loss of business consequent upon movement controls). Informal estimates suggest a level of total premiums in the market at around £10m per year for livestock keepers, with only a small number of key players in the market.
- 5.30.** This reflects a lack of both demand and supply. Aside from some notable exceptions (a number of products are available for poultry and equines), in the main, appropriate insurance products are not available to livestock keepers at a price that is attractive, whilst underwriters do not at present view the market as having much potential and so do not invest in the research and quantification of risk that would be necessary to offer a fuller range of products.
- 5.31.** One of the key reasons for lack of demand is likely to be the compensation payments already discussed. With little demand, there is little incentive for insurers to develop animal disease insurance products and it is very difficult for them to quantify the

¹² The Tuberculosis (Wales) Order 2010 came into force on 25 May 2010. Under the Order, the method of valuing an animal slaughtered as paid from 25 May reflects any poor practice and non-compliance on the part of the cattle keeper. This includes overdue tests, engagement in illegal activities and ignoring a Veterinary Improvement Notice issued by Animal Health. It is early days, but WAG report that there are signs that this is having a positive impact in ensuring compliance with testing requirements.

exposure they would face in offering such products. This cannot be the whole story, however, as there are significant disease-related losses where the costs are not compensated out of public funds. For the notifiable diseases where compensation for slaughter is paid there are likely to be additional losses due to loss of markets following export or movement restrictions, changing market prices or higher costs in transporting milk or feedstuffs because of disease controls. These additional losses are often incurred by farmers whose animals are not infected and who therefore receive no compensation of any kind. There are also many other non-notifiable diseases which cause financial loss in which Government takes no part at all. It is possible that the attitude of livestock keepers themselves to insurance may be a factor here. And there may, similarly be issues of this kind on the supply side: underwriters may be nervous of taking risk in this sector because animals kept outside may generate particular risks. It is notable, for example, that disease insurance seems to be more readily available for egg-laying birds, normally kept indoors, and for pond-confined aquaculture. These issues all merit further investigation.

- 5.32.** Also on the supply side there is the matter of the systemic risk of a catastrophic disease outbreak. FMD 2001, for example, resulted in compensation payment costs of £1.1 billion and, as we have seen above, other very substantial costs to livestock keepers. In a catastrophe, a large proportion of policy holders are likely to be affected at the same time (unlike the risks associated with motor insurance, or even with flood damage where not all regions are likely to be affected simultaneously); this would require very substantial amounts of capital to be available to stand behind the insured risks. Moreover, if a disease outbreak occurs the Government may not only change compensation arrangements but also impose movement restrictions and other regulations which affect how animal keepers are permitted to act. The uncertainties are therefore very difficult to limit and this quite naturally acts as a deterrent for insurers, who need to work on the basis of a clear actuarial assessment of risk. And, in addition, although the risks associated with animal disease are better understood than they once were, there does not yet seem to be sufficient quantification of risk factors to appeal to commercial underwriters.
- 5.33.** We are convinced, however, that by working in partnership with the insurance industry a new approach can be worked out that could result in a wider role for commercial insurance than has hitherto proved possible. We think that this will inevitably take time, but we do believe that approaching the problem in its totality, i.e. looking at compensation, disease control strategies, incentivisation, and insurance as a whole, rather than in separate compartments, can produce good results. Recent discussions with representatives of the insurance industry have revealed a willingness to consider this and the new Partnership Board will be well-placed to take this forward. We would offer one note of warning, however, we do not believe that it will prove possible to achieve comprehensive private cover for all disease risk. As we stated above in Section 3, we believe that the state should always be prepared to 'stand behind' if, in spite of everyone's best endeavours, there should be a catastrophic outbreak of some new disease.
- 5.34.** Given the role of the state in providing this insurance, we believe that the Partnership Board could beneficially also explore with the insurance industry whether there are any lessons to be learned from their approach to insurance provision that could usefully be applied by the state, and also consider with HM Treasury whether a charge can or should be made for any insurance provided in this way.
- 5.35.** To get this process started Defra has, at the request of the RCS Advisory Group Chair, set up a short-term research project to look in more detail into the possibility of greater insurance provision. This research will be concluded before the end of the year and should therefore be available to the Partnership Board as it starts work.

Levies

- 5.36.** We have considered the option of a general ‘animal disease’ levy, as conceived of in the (now discontinued) Animal Health Bill and in prior consultations on responsibility and cost sharing. The arguments in favour of such a levy, as advanced in earlier consultation documents, include its universal application: all animal keepers pay. The proposal also assumed that the proceeds could be hypothecated: they would build up a fund to finance the costs of disease outbreaks. In our view, however, the disadvantages of this proposal far outweigh any perceived advantages. First, the costs of collection would be very high and would quite probably be greater than the revenue collected. There is no existing mechanism for collection, so a new one would have to be established (the Agricultural and Horticultural Development Board (AHDB) does not provide a suitable mechanism). There would in all probability be substantial evasion, leading either to high costs of enforcement or to the levy becoming, in practice, a voluntary one. As to hypothecation, the circumstances in which a hypothecated fund is permitted to grow in order to respond to future contingencies are extremely rare and it would be very difficult to make a convincing argument to HM Treasury that this was a sufficiently special policy problem to deserve its own contingency fund above other national emergencies. And, for many Group members, the principle of ‘no taxation without representation’ has particular resonance. A compulsory levy paid by all animal keepers into a particular hypothecated fund would give animal keepers no direct influence on how and in what circumstances it should be paid out.
- 5.37.** There is one special case, however, where levies are already utilised in relation to animal health issues. As explained above, the Agricultural and Horticultural Development Board (AHDB) currently puts some levy payers’ money into animal health and disease prevention measures through its subsidiaries BPEX, EBLEX and DairyCo. These contributions have acted as pump-priming assistance for several important local initiatives, as we saw in Section 2 above. We would urge the AHDB to continue to make contributions in this way: this is an excellent example of cost sharing as the levy monies come from livestock keepers themselves. We recognise that the AHDB is currently under some pressure in these straightened times, but we would greatly welcome its continued role in the field of animal health and welfare, contributing to better outcomes for levy payers.

Other options

- 5.38.** There are three other options that fall broadly under the description of cost sharing that we have considered briefly and would wish to see placed on the agenda for the Partnership Board to consider in the future.
- 5.39.** We are agreed that privatisation or contracting out, including under new and innovative governance arrangements, might have a part to play with respect to some areas of Defra delivery work. This could entail either Government paying for the contract or it transferring entirely to the private sector, perhaps to social enterprise companies as well as to conventional private sector businesses. Previous examples include the development of the National Fallen Stock Scheme; and in the future could include the further contracting out of rapid TSE testing, presently carried out by the Veterinary Laboratories Agency.
- 5.40.** We have also considered the merits of a single registration system for some or all animal keepers. We observe that there are several different systems in operation at present and they are not consistent with one another. We noted, for example, in our case study of Regional Health Improvement Programmes in the pig industry, that one of the benefits

was to provide a single up-to-date register of pig keepers in the region that could be used for communication purposes. We think there would be considerable merit in having one single database of registered animal keepers for the key farmed livestock species. We should stress that we do not see this as linked directly to cost sharing but we do consider that it would have considerable advantages in supporting the communication channels which are crucial to the success of the Partnership Board. It would provide a cheap and easy way to inform livestock keepers of developments relevant to their sector and enable them to input their views. We suggest, therefore, that the Partnership Board should consider the scope for bringing existing registration schemes together, and establish whether the benefits of doing this would outweigh the set-up and maintenance costs.

- 5.41.** Finally, and for consideration in the longer term by the Partnership Board, we have some comments to offer on enforcement. This is not, strictly speaking, a matter relevant to cost sharing, and we understand that the Task Force on Farming Regulation will also be looking at enforcement arrangements, but we would observe that enforcement of the law and conformity with regulations is a very important activity in the animal health and welfare arena, as it is in other areas of human activity. It is crucial to ensure that the law is not brought into disrepute by inadequate enforcement against would-be evaders. We are not convinced that the approaches currently adopted and the penalties applied are always commensurate with the risk to other animal keepers, or to society more widely, presented by evaders. We understand that the need to enforce using the criminal law, where the standard of proof is 'beyond reasonable doubt', may lead to a failure to prosecute when the lower standard of 'balance of probability' in the civil code might be more appropriate over some areas of the landscape. The new 'Improvement Orders' in the Animal Welfare Act 2006 have been widely welcomed and on first analysis seem to be effective in encouraging animal keepers to make improvements in welfare standards. Intelligent initiatives in enforcement such as this are to be welcomed.

Conclusions

- 5.42.** In considering our recommended approach to cost sharing we have been influenced by three key considerations. First, we should repeat our belief that it is essential to establish clear responsibility sharing arrangements before determining the details of any cost sharing programme.
- 5.43.** Second, we need to take fully into consideration the consequences of the approach to public spending adopted by the Coalition Government. We have seen that the Spending Review settlement published on 20 October requires Defra to cut its own spending and that of its arm's length bodies by 30% over four years. Against this background animal health and welfare spending will not be protected: cuts will come. There therefore has to be an even stronger focus on value for money issues than was anyway on the agenda in thinking about RCS and a commensurate need to think about priorities: the industry needs more than ever to have a say over such decisions.
- 5.44.** And, third, there is the matter of cost information. We have commented above on the report of the NAO, who kindly agreed to help us by looking at the cost data provided to us during the course of our work by Defra: the NAO have concluded that, whilst the information provided to us was adequate to give an overall point-in-time picture of Defra's spend on animal health, Defra's financial systems are not adequate to support a comprehensive cost sharing regime.

5.45. We have concluded, therefore, that a staged approach needs to be adopted to cost sharing. It is in our view essential to get responsibility arrangements in place quickly, and there are some developments already underway that should be pursued actively and will be of benefit to the Board once established. These are the work of the Task Force on Regulation, due to report early next year; the fees and charges review already underway for Animal Health; and the systems changes being considered in consequence of the merger of AH and VLA that need also to take account of the requirement to support a revised fees and charges regime that would meet HM Treasury guidelines. And insofar as the implementation of the Spending Review in Defra requires some input on animal health and welfare issues prior to the Board's establishment, then the suggestions we have made in paragraphs 5.10 – 5.17 above concerning priorities may be helpful.

5.46. Thereafter, the Board should in our view consider adopting the following agenda:

- Commission a full bottom-up VFM review of all activities in the animal health and welfare landscape. This task will be rendered easier by the work we have done, together with that of the Task Force on Regulation, but is fundamental to a sound basis for reducing overhead costs and cost sharing going forward. As well as looking at what is done now, and by whom, this review should also look at other ways of doing things, identifying, for example, the scope for new and innovative approaches, including contracting out and/or privatisation.
- In parallel, consider and implement any changes to the delivery bodies' fees and charges regime that can be supported by full and accurate financial costings and consider the scope for simple systems changes (e.g. to the chart of accounts) that might broaden the scope for activity costing in 'core' Defra.
- Consider the likely cost of more substantial systems changes to support cost sharing and what might be a realistic timetable for implementation at a time of financial stringency.
- Review the compensation arrangements and do more detailed work on compensation, incentives and insurance, involving private sector underwriters as well as other stakeholders and building on the work already commissioned by the Advisory Group to take these matters further.
- Encourage the AHDB to maintain/enhance their contributions.
- Encourage stakeholders to develop and pursue their own projects, with scope for public funds to 'pump prime'.
- Review the costs and benefits of consolidating animal keepers' registration systems so as to provide a single channel of electronic communication with keepers of the key farmed livestock species.
- Consider, in the longer terms and in the light of the recommendations that will be made by the Task Force on Farming Regulation, the desirability of re-focusing and strengthening the approach to enforcement.

5.47. Finally, we have considered the option of a general 'animal disease' levy, as conceived of in the (now discontinued) Animal Health Bill and in prior consultations on responsibility and cost sharing. We have concluded that the disadvantages of this option far outweigh any perceived advantages and that it should not feature in any new set of arrangements.

Section 6

Implementation

- 6.1.** In implementing our proposals for a new Partnership Board, consideration needs to be given as to what is needed to set it up, what will be required as it starts work, and how its performance can be evaluated.
- 6.2.** The first stage must be the development of a business case to support the introduction of the Board. Although many of the projected benefits would be difficult to quantify (they are qualitatively described in Section 4 above), the detailed costs of the Board should be straightforward to identify once the implications of the Spending Review for Defra's people and structures are clearer.
- 6.3.** Key to success will be to appoint an implementation team whose first action must be to produce a detailed, costed timetable and plan, with identified key tasks, dates, and responsibilities. The production of this implementation plan must be the first priority of the implementation team.
- 6.4.** We ourselves would be willing to participate in the development of implementation should the Minister accept the key elements of our proposals, and stand ready to be called upon for advice and guidance.

Establishing the Board

- 6.5.** We think there will be three main pieces of work required to establish the England Partnership Board in the way we propose: appointing the Board; putting in place the support and communication channels for the external members; and embedding the Partnership Board arrangements within the Defra management and administrative structures.

Appointment of the Board

- 6.6.** Appointing the right external members to the Board will be critical to its success. The main stages will be:
 - Seeking applications for the Chair and other external members.
 - Selection process for the Chair, with recommendations to the Minister.
 - Appointment and induction of the Chair.
 - Selection process for the other external members, with recommendations to Ministers.
 - Appointment and induction of other external members.

- 6.7.** We consider stakeholders should be involved in advertising the posts, in encouraging suitable applications, and in the selection process via suitable representation on the appointments panel. The Chair should be involved in the selection of the other external members. These processes will inevitably take some time, so an early start by Defra will be critical to establishing the Board at an early date.

Support and communication and engagement channels for the external members

- 6.8.** We have stressed that establishing effective communication and engagement channels for external members with animal keepers and other stakeholder groups will be critical to the success of the Board. Work should be undertaken to consider how these could best be organised, starting with what is already in place (for instance, sector councils and other existing groups). The relevant sector organisations should take this forward, with some support or guidance from officials in Defra if necessary, so that proposals for these communication channels and support arrangements can be put to the first meeting of the Partnership Board. Decisions on “lead responsibilities” for external members in respect of the various interest groups would then be taken by the Board.

Embedding the Partnership Board within the Defra management structure

- 6.9.** We have set out in Section 4 the principles of how we expect the Partnership Board to work. The details of how the Board will operate within the business processes of Defra and of Government more widely will need to be developed. This includes:
- establishing the secretariat support for the Board, and its place in the wider Defra management structure;
 - determining the implications of establishing the Board for relevant parts of Defra and other parts of Government;
 - considering how the relationship of the Board to the delivery agencies will operate; and
 - preparing an initial forward plan for the first year of the Board’s work, recognising the timetable for other business within the Department.
- 6.10.** This work should take account of developments in setting up the merged Animal Health/VLA Agency and the review of other delivery bodies, as well as the implications of the devolution of budgets. The outputs can be considered at the first meeting of the Partnership Board. The Board will not be able to look at all aspects of animal health policy immediately, so we think it will be important to recognise and communicate what the Board’s early priorities will be and what will be continuing under previously established policies.

Suggested early action programme

- 6.11.** Once the structure of the work programme is established, there are a number of issues on which the Board should in our view start work. Many of these were mentioned in Section 5 above, but are worth elaborating on here. When developing their forward plan for work, the Board will need to align with the Defra business and financial planning cycles; and agree on a regular performance reporting cycle. Once the structure within which the work programme will be delivered is established, the content of the programme can be decided. We recommend that the Board’s priorities should be as follows:

- To observe that communication and engagement channels to all relevant sectors are set up and led by sector bodies and organisations and are working effectively; and to put pressure on sectors that have not yet developed plans.
- To initiate a bottom-up value for money review of all animal health activities that will identify genuine priorities and also lower priority areas of expenditure with the aim of reducing overheads, as well as identifying scope for innovative new delivery and funding mechanisms, such as contracting out or privatisation. This will be especially important given the pressure to find savings following the Spending Review announcements.
- To review the fees and charges regime, using any output from the Defra project currently underway, and make early decisions on changes if appropriate.
- To examine the consistency and necessity of the various arrangements for compensation and whether differential rates could be applied for differing biosecurity practices; and to continue dialogue with the private insurance industry to examine scope for expanding private insurance arrangements.

Evaluation

- 6.12.** Evaluation of the Partnership Board will be needed at a point in time – we suggest not less than three and not more than five years after it is set up – to determine whether it is delivering the envisaged benefits. Evaluation would need to be carried out carefully as few of the projected benefits are easily measurable or quantifiable, and it is difficult to define the counterfactual – what would have happened without the Board – with which to compare the Board’s progress.
- 6.13.** Nevertheless, the direct impact of the Partnership Board can be measured qualitatively through perception or attitudinal surveys of those directly and indirectly involved or affected.
- 6.14.** The Board’s indirect impacts on use of disease prevention/reduction practices can be measured by examining how many keepers have taken up better practice; how many keepers are still engaged in particularly risky practices; and an assessment of level of disease risk.
- 6.15.** The Board’s indirect impacts on efficiency can be measured by looking at the time and cost in engagement and consultation processes; and the time and cost to implement policies.
- 6.16.** Some overall outcomes that the Board would aim to achieve can be measured quantitatively, such as the cost of disease and disease risk through veterinary risk assessment tools (albeit with some subjective judgement on comparing with the counterfactual). The Board will wish to ensure these quantitative estimates are produced regularly and are exposed to external challenge. The Board would aim to reduce both these measures, but care must be taken as its own impact will be only one influence. For example, the Board could be acting very effectively but disease risk could still go up because other inputs have changed and increased the overall risk environment.
- 6.17.** A known baseline must be established for these measures to ensure a fair comparison of ‘before’ and ‘after’ the Board’s effects. Other factors that affect each measure must also be considered in order to establish fairly the effect that the Board itself has had on the outputs described.

Conclusions

- 6.18.** The first stage in implementing the Partnership Board model must be the development of a business case for the Board. An implementation team needs to be appointed whose first action should be to produce a detailed, costed timetable and plan, with identified key tasks, dates, and responsibilities.
- 6.19.** There will be three main pieces of work required to set up the England Partnership Board in the way we propose: appointing the Board; putting in place the support and communication channels for the external members; and embedding the Partnership Board within the Defra management and administrative structures.
- 6.20.** Once it is established, when developing its forward work plan the Board will need to align its own work to the Defra business and financial planning cycles; and agree on a regular performance reporting cycle. The Board's early action plan should be: to observe that communication and engagement channels to all relevant sectors are set up; to initiate a bottom-up value for money review of all animal health activities; to review the fees and charges regime; to examine the current compensation regime; and, in parallel to continue dialogue with private sector underwriters to examine the scope for expanding private insurance arrangements.
- 6.21.** Finally, we note that evaluation of the Partnership Board will be needed at a point in time – we suggest not less than three and not more than five years after it is set up – to determine whether it is delivering the envisaged benefits.

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Acknowledgements

We should like to thank the following for their assistance with the review:

Sub-Group Members

Richard Bennett	Reading University
Chris Brown	Asda
Chris Murray	Country Land and Business Association (CLA)
Kevin Pearce	National Farmers Union (NFU)
Kevin Roberts	National Farmers Union (NFU)
Michael Seals	National Fallen Stock Company

Defra Members of Advisory Group

Nigel Gibbens
Brian Harding
Sarah Hendry
Alick Simmons
Andrea Young

Other Stakeholders

David Bassett	British Trout Association
Brendan Bayley	HM Treasury
Bridget Biddell	Country Land & Business Association (CLA)
Tom Blades	British Association for Shooting & Conservation (BASC)
Peter Borriello	Veterinary Laboratories Agency (VLA)
David Bowles	Royal Society for the Prevention of Cruelty to Animals (RSPCA)
Peter Bradnock	British Poultry Council (BPC)
Catherine Brown	Animal Health
Allan Buckwell	Country Land & Business Association (CLA)
Marta Cainzos Garcia	DG Sanco, European Commission
Paul Caldwell	British Cattle Movement Service (BCMS)
David Calpin	Defra
Bhavika Chauhan	HM Treasury

Sir Don Curry CBE	Chairman, Better Regulation Executive
Chris Dodds	Livestock Auctioneers Association (LAA)
Charlotte Evans	British Pig Executive (BPEX)
Amanda Fox	Scottish Executive
Chris Gaskell	Royal Agricultural College (RAC)
Mike Gilks	Government Office for the South East (GOSE)
Christianne Glossop	Chief Veterinary Officer, Welsh Assembly Government
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Simon Hall	Chief Veterinary Officer, Scottish Executive
Rupert Hine	Animal Health Scotland
Bert Houston	Chief Veterinary Officer, Department of Agriculture and Rural Development, Northern Ireland (DARDNI)
Stewart Houston	National Pig Association (NPA)
Tim Humphreys	Association of British Insurers (ABI)
Naomi Jefferies	HM Treasury
Peter Jinman	Royal College of Veterinary Surgeons (RCVS)
Gwyn Jones	National Farmers Union (NFU)
Peter Kendall	President, NFU
James Kirkwood	Universities Federation for Animal Welfare (UFAW) & Companion Animal Welfare Council (CAWC)
Bill McKelvey	Scottish Agricultural College (SAC)
Richard Macdonald	Chair, Task Force on Farming Regulation
Keith Meldrum	Former Chief Veterinary Officer
Sharon Mole	UK Border Agency
Madge Moore	Lantra
Anne-Marie Nash	Livestock Assurance South East Region (LASER)
Rory O'Donnell	Defra
Julie Pierce	Animal Health
David Raraty	National Audit Office (NAO)
Francisco Reviriego Gordejo	DG Sanco, European Commission
Claire Rollo	National Audit Office (NAO)
John Royle	National Farmers Union (NFU)
Peter Russell	Scottish Parliament
Peter Scott	Companion Animal Welfare Council (CAWC)
Nick Starling	Association of British Insurers (ABI)
Tom Taylor	Agriculture and Horticulture Development Board (AHDB)
Sandy Trees	Royal College of Veterinary Surgeons (RCVS)
Lauren Tucker	National Audit Office (NAO)
Nancy Tweddell	North West Regional Development Agency (NWDA)
Christopher Wathes	Chairman, Farm Animal Welfare Council (FAWC)
Mark Williams	British Egg Industry Council (BEIC)

Animal Health (AH)
British Cattle Veterinary Association (BCVA)
British Horseracing Authority (BHA)
British Pig Executive Levy Board (BPEX)
British Veterinary Association (BVA)
Department of Agriculture and Rural Development Northern Ireland (DARDNI)
Expert Forum on partnership approach to the management of animal health and welfare in Scotland
National Beef Association (NBA)
National Sheep Association (NSA)
Royal Veterinary College (RVC)
Scottish Executive
Veterinary Laboratories Agency (VLA)
Welsh Assembly Government

Annex B

History of responsibility and Cost Sharing policy

Date	The Event or Issue	Recommendation	Outcome
Autumn 2000	A suspected case of Classical Swine Fever (CSF) in England in 2000 and the Foot and Mouth Disease (FMD) outbreak in 2001 formed a backdrop to Iain Anderson's 2001 FMD report.	A series of restrictions and local measures were put in place.	
Summer 2002	FMD 2001: Lessons to be learned Inquiry - an investigative report into the Government's handling of the outbreak of Foot and Mouth Disease in GB during 2001.	Government, led by DEFRA, should develop a national strategy for animal health and disease control positioned within the framework set out in the report of the Policy Commission on the Future of Farming and Food.	The <i>Animal Health and Welfare (AHW)</i> strategy in GB (2004).
Summer 2004	The AHW strategy developed in 2004 in consultation and partnership with the farming industry to encourage a lasting and continuous improvement in the health and welfare of kept animals while protecting society, the economy, and the environment from the effects of animal disease. The strategy was based on extensive consultation with stakeholders and set out the principles and good practice which became a guide for moving forward.	The strategy called for an enhanced level of skills and knowledge among all who have responsibilities for animals.	The England Implementation Group (EIG) was appointed by the Government in 2005 to ensure the Strategy's vision and aim was achieved, holding partners including Government to account against the England Implementation Plan.
Summer 2005	The EIG comprised of twelve independent members (three of which sit on the RCS Advisory Group) representing a wide variety of animal health and welfare interests.	A Responsibility and Cost Sharing Sub-Group to support Defra by providing constructive challenge, in line with the principles of the Strategy.	EIG set up the Responsibility and Cost Sharing Sub-Group to challenge the principles of the strategy. The AHW strategy made it plain that it is not for Government alone to incur the cost of prevention and control of diseases. The Government's commitment to better regulation was re-stated in the Farm Regulation and Charging strategy. Its intention was to set up a joint working group with the farming industry to develop risk sharing arrangements for tackling exotic diseases.

Date	The Event or Issue	Recommendation	Outcome
Summer 2006	In England, work on sharing responsibility and costs of exotic animal disease continued through the Joint (Industry/Government) Working Group (JIGWG) . JIGWG was established in 2005 and the group published a report to consider the balance of risks and responsibilities associated with keeping farm animals in the context of the importance and role of both on-farm and external biosecurity controls.	The key recommendation of JIGWG was that there should be a joint industry and Government approach to sharing costs and responsibilities for exotic animal disease run by a new statutory body. The Devolved Administrations and their industries should be brought on board urgently.	As part of JIGWG's work, a one day workshop was held in spring 2006, to engage with a wider group of stakeholders; largely from the livestock industries, wider food chain and Government. The UK Responsibility and Cost Sharing Consultative Forum was established to provide high-level input from farming industry leaders and administrations across the UK.
Autumn 2006	UK Responsibility and Cost Sharing Consultative Forum was established to make recommendations to Ministers on a new Government and industry partnership approach to how animal health and welfare should be developed, delivered and funded in the UK.	The forum proposed principles to underpin the animal health and welfare responsibility and cost sharing agenda. The Group considered a range of options and expressed views on these.	A range of consultations were carried out in England, Wales, Scotland and Northern Ireland on first the principles and subsequently on options.
Autumn 2006 (1st Consultation)	Responsibility and Cost Sharing for animal health and welfare: Principles – a consultation to inform decisions on how responsibility and cost sharing was taken forward across the entire range of the Government's animal health and welfare policies.	The consultation responses revealed the strong feeling from industry was that principles of RCS should not merely be an exercise in passing costs onto the industry to save public money but that if true partnership were to develop, it should be based on a greater and equitable say on policy development and share of responsibility.	A set of 13 principles were agreed as a basis for future work.
Autumn 2007 (2nd Consultation)	Responsibility and Cost Sharing for animal health and welfare: Next steps – a consultation to consider the appropriate legal structures capable of delivering competent responsibility and cost sharing in animal health and welfare.	The policy on responsibility and cost sharing was further developed as a result of this consultation and further work by the RCS Consultative Forum.	Detailed proposals developed as a result of this consultation formed the basis for the third consultation.

Date	The Event or Issue	Recommendation	Outcome
Winter 2008	In 2008, Defra carried out 12 regional workshops to explain the proposals, build understanding in industry, and gain practical ideas for improving/implementing RCs.	The objective of the workshops was based around the theme of communicating with farmers. The majority of comments from the workshop related to communications and relationships. Bovine TB was raised throughout all the workshops, this perhaps reflected industry's frustration and desire for a firm decision to be made on its handling. Costs were another popular issue during the workshops – attendees were keen to understand how the Defra budget was broken down.	The workshops were challenging for all involved and a success in terms of the original objectives.
Spring 2009 (3rd Consultation)	New independent body for animal health: A modern governance and funding structure for tackling animal diseases – a consultation to develop a new partnership in which we can make a lasting and continuous improvements in the health and welfare of kept animals while protecting society, the economy, and the environment from the effect of animal disease.	The consultation stated the Government's intention to publish a draft Bill by the end of 2009 for pre-legislative scrutiny in early 2010, with a view to its introduction early in the new Parliament. The draft legislation would set out in detail how the Government intends to proceed, taking into account all comments received during the second consultation process.	In winter 2010, the draft Animal Health Bill was published and a public consultation was held in Spring of the same year. However, the Coalition Government decided not to proceed with this Bill (<i>project closed in June 2010</i>).

Annex C

Membership of Responsibility and Cost Sharing Advisory Group

The RCS Advisory Group was appointed by then the Secretary of State, in consultation with industry leaders, to advise Government on how best to realise partnership working within the RCS agenda in England. The Advisory Group was expected to represent the interests and views of the entire kept animal sector; stakeholder groups were asked to nominate individuals who are held in high respect by their peers and command industry-wide credibility.

Independent Chair

- **Rosemary Radcliffe CBE**, was appointed as the independent chair of the group in July 2009. Rosemary is an economist and business consultant. Until her retirement as a partner she was PricewaterhouseCoopers' Chief Economist in Europe. She has served on several Government advisory and review bodies and is well known to the livestock industry through her review of the agricultural Levy Bodies that recommended their merger into what is now the Agriculture and Horticulture Development Board.

Defra members

Defra members are the 4 Senior Responsible Officers for the key animal health policy and budgets, plus the Chief Veterinary Officer as an ex officio member.

- **Brian Harding** is the Director with policy and budget responsibility for Food Chain, bovine TB and endemic diseases.
- **Sarah Hendry**: Director for the Food and Farming portfolio, including Farming for the Future, Responsibility and Cost Sharing Programme, and the Animal Welfare activity.
- **Alick Simmons** is the Director of the Veterinary Science Team, and the Deputy Chief Veterinary Officer.
- **Andrea Young** is the Director with policy and budget responsibility leading the policy response to outbreaks of exotic animal diseases, and leading the relationship management of FFG with its agencies.
- **Nigel Gibbens (ex officio member)** is the Chief Veterinary Officer, providing veterinary advice to Government and Ministers, and promotes and assures the Animal Health and Welfare Strategy for GB.

Consumer representative

- **Diane McCrea:** Diane has extensive consumer interest experience, having served as an independent consumer member of the Meat and Livestock Commission, and on advisory committees to the Food Standards Agency. She sits on the Spongiform Encephalopathy Advisory Committee (SEAC) and served on the England Implementation Group RCS Sub-Group.

Veterinary representative

- **Professor Bill Reilly:** Bill is the former President of the British Veterinary Association (his term ran from late September 2009 to October 2010). Bill has held senior posts in Health Protection Scotland and the Food Standards Agency in addition to his academic career, as well as being involved in innumerable advisory committees to many different parts of Government.

Industry members

It was agreed that members with a livestock industry background must be respected by their peers, carry authority and generally be seen as being capable of pursuing issues rigorously. No significant sector could be made to feel that their interests have been excluded or overlooked, and the livestock sector overall needs to feel that their views on how to implement responsibility and cost sharing would carry due weight in the Advisory Group's deliberations and advice to Ministers.

To this end, the members were nominated by industry.

- **John Reed – Poultry Meat:** John is the Agricultural Director of Cargill Meats (formerly Sun Valley Foods) with an European wide presence. John is Chairman of the British Poultry Council, a member of the Core Implementation Group for the EU Chicken Welfare Directive, sector board member of Assured Chicken Production and Chairman of the Poultry Meat Training Initiative. He is a Fellow of the Royal Agricultural Societies and Nuffield Farming Scholar. He is also a small scale cattle and sheep farmer.
- **Richard Kempsey – Eggs:** Agricultural Director of Stonegate (the second largest egg production company in the UK), leading on barn, free range and organic egg production. He is also a director of an organic food box delivery company, runs his own farm of 22,000 free range layers and has experience of sheep, pig and beef production.
- **Mike Sheldon – Pigs:** Mike farms a 520 sow unit, producing slaughter pigs for a national processing company. Mike was the first Chief Executive of National Pig Association, and has been a British Pig Executive (BPEX, a levy board) Board member since 2000. He is the independent member of the Responsibility and Cost Sharing Programme Board and writes a regular column in the Pig World magazine.
- **James Fanshawe – Beef:** James is the National Beef Association's Treasurer and Board Director. James farms 140 pedigree suckler cows and 150 ewes. In 2006 he retired as a partner in PricewaterhouseCoopers after a career of 35 years, during which he managed leading assignments in their offices in New York and Hong Kong. He is on the Board of English Beef and Lamb Executive (EBLEX – a levy board) and Director of a small farmer co-operative marketing rosé veal.

- **Jonathan Barber – Sheep:** Jonathan is the Chairman of The National Sheep Association. Jonathan's farming interests are early prime lamb production, producing terminal sires for both pedigree and commercial sheep producers, arable farming and duck and geese production. He is an Eblex Board member, Chairman of Landskills East Agricultural Livestock Skills Group, and plays leading roles in sheep breeders groups and various companies.
- **Tim Brigstocke – Dairy:** Tim is the Policy Director of the Royal Association of British Dairy Farmers, and has also served as the Chairman. He served on the England Implementation Group RCS Sub-Group. Tim is involved in a range of dairy related activities, including being Chair of the Cattle Health and Welfare Group, Exec Director for Cattle Health Certification Standards (CHeCS), and ex CEO for Holstein UK. He is also Executive Chairman for the Rare Breeds Survival Trust.
- **Helen Browning, OBE – Independent member:** Helen is a large organic producer and former Chairman of the Soil Association. Currently she is a policy advisor to the Association, and Chairman of the Food Ethics Council. Helen has a Fellowship of the Royal Agricultural Society of England. She was also a member of the 'Curry Commission', and the Chair of the England Implementation group.
- **Dr Tim Morris – Equine:** Tim is the Director of Equine Science and Welfare at the British Horseracing Authority, and also had a number of roles in veterinary professional organisations, industry bodies, in advising Government Departments, and in animal welfare charities. He is also a Veterinary surgeon with experience of farming, sporting and companion animals.
- **Richard Elliott – Tenant farming:** Richard is an Executive Committee Member of the Tenant Farmers Association and is a dairy, arable and sheep farmer, and has in the past grown soft fruit. Richard has served on the Nottinghamshire NFU Milk Committee and the NFU National Dairy Board. He was also a past Chair of the Nottingham Farm Business Association and a past Governor of the Nottingham College of Agriculture.
- **Will Cockbain – Hill farming:** Will is a hill farmer with a flock of 1,100 ewes, a suckler cow herd, and the family breeds Dale and Fell ponies. As well as being involved in sheep breed societies, Will is a Board Member of Food Northwest, and the NFU's national uplands spokesman. Through his role as the North West's regional Sustainable Farming and Food regional chair, Will works closely with Don Curry promoting the Strategy.
(Will did not sign the report).

Annex D

Terms of reference and membership of Sub-Groups

Governance Sub-Group

The Advisory Group's Terms of Reference (point 3):

'To consider the constitution of the new body, its membership and its ways of working in order to maximise the benefits of its creation and the confidence of the public and farming industry'.

Role of Governance Sub-Group:

'To commission and review papers and other material to cover:

- 1 legal and organisational structure;
- 2 accountability, audit and reporting arrangements;
- 3 structure of decision-making;
- 4 staffing arrangements ;
- 5 management of relations with Defra, the DAs, OGDs, and all other stakeholders;
- 6 communications strategy;
- 7 provision of accounting, HR, accommodation and other support services; and make recommendations to the Advisory Group thereon.'

Finance & Resourcing Sub-Group

The Advisory Group's Terms of Reference (point 4):

'To examine the current use of resources by Defra in meeting the challenges of animal health and consider the way in which they should be deployed and prioritised in order to maximise the efficiency of the new body.'

Role of Finance & Resourcing Sub-Group:

'To commission and review papers and other material to cover:

- 1 identification and measurement of the current use of financial resources by Defra and other agencies and stakeholders and how these might be apportioned to the various activities currently undertaken;

- 2 an assessment of the economic and other consequences of current expenditure, including an analysis of risk and of the drivers of behaviour change amongst animal-keepers, in order to inform a ‘test of reasonableness’ using a set of agreed indicators (i.e. an assessment of whether, and the extent to which, existing levels of expenditure achieve the stated objectives);
- 3 an assessment of the scope for improved efficiency leading to better value for money in relation to current expenditure;
- 4 a consideration of what changes a new body might wish to make and the consequences of such changes, looking in particular at risk and the use of mechanisms to influence behaviour change, and at efficiency considerations;
- 5 estimates of what might be the costs and revenues and financing arrangements for any new body; and make recommendations to the Advisory Group thereon.

Membership of Sub-Groups

Governance

Rosemary Radcliffe (Chair)
Diane McCrea (Advisory Group)
Nigel Gibbens (Advisory Group)
Tim Morris (Advisory Group)
John Reed (Advisory Group)
Jonathan Barber (Advisory Group)
Sarah Hendry (Advisory Group)
Kevin Pearce (NFU)
Kevin Roberts (AHDB/NFU)
Chris Brown (Asda)
Michael Seals (Fallen Stock Co)

Finance & Resourcing

Rosemary Radcliffe (Chair)
James Fanshawe (Advisory Group)
Alick Simmons (Advisory Group)
Mike Sheldon (Advisory Group)
Richard Kempsey (Advisory Group)
Kevin Pearce (NFU)
Richard Bennett (Reading University)
Chris Murray (CLA)
Kevin Roberts (AHDB/NFU)
Chris Brown (Asda)

Annex E

Full case studies

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E1 Regional Health Improvement Programmes in the pig industry

Background

Infectious diseases can be transmitted between herds via aerosol, pig movement, vehicle routes, birds, insects and rodents. Pig herds do not, therefore, exist in isolation and the health status of a particular herd is the result of the transmission of disease within and between herds. Enhanced external biosecurity can reduce the probability of pathogens being transmitted between herds. This might include effective cleaning of vehicles that transport pigs to slaughter, preventing access of visitors that have been in contact with pigs and by isolating purchased stock with the intention that they are not infectious when they enter the herd.

Aims of the Regional Health Improvement Programmes

The regional health improvement programmes aim to improve pig health in a collaborative and sustainable way by involving people from all parts of the supply chain. This BPEX initiative has accessed funding from the Regional Development Programme for England through Regional Development Agencies (RDAs); funding is split 70:30 between the RDAs and BPEX non-levy funds respectively, with total project costs of approx. £267,000 per region. The projects have so far been implemented in both Yorkshire and the Humber and the East of England.

The specific aims of the regional health improvement programmes are to:

- Promote good biosecurity via the development of a biosecurity tool
- Promote openness and honesty so that people can identify and overcome the main challenges to the control and elimination of infectious diseases
- Develop an on-line map of pig units, incorporating information on health
- Develop disease alerts so that producers from neighbouring units are informed when unusual disease symptoms are observed within the vicinity
- Establish gold standards for diagnosis and ways of non-invasive testing
- Improve pig health and establish areas of disease freedom

BPEX's role is to facilitate engagement and to provide technical, logistical and administrative support. However, the longevity of the projects will largely depend on the overall attitude of the industry; regional steering groups have been set up for this purpose.

Barriers that were overcome

The amount of time required to engage producers with the scheme has been considerable and has required more input from BPEX than initially envisaged. Feedback has been positive and clear progress has been made. However, the risk of non-engagers is currently unknown and this will need to be carefully managed going forwards. Barriers to progress have also included the following:

- Stigmas associated with being infected with swine dysentery
- Concerns that BPEX and vets will instruct producers on what to do on-farm
- A lack of confidence in the database of unit locations
- Different opinions from vets regarding diagnoses

- The absence of a standardised approach across all RDA regions to extend the projects nationally

The benefits of partnership working to the participants (public sector and private sector)

The benefits of belonging to the scheme include more efficient production, reduced use of antimicrobials, fewer carcass condemnations, reduced variability in carcass weights, improved competitiveness, a reduced environmental impact, better relationships between the whole supply chain and a reduced probability of breakdown of disease in the future. Next steps include:

- Extending the programmes to include the remaining RDA regions
- Secure funding for on-farm health improvement programmes if working as part of a group, or cluster
- Extending the programmes to include small pig keepers who, despite being a low risk epidemiologically, are perceived to be important by the industry
- Develop a type of assurance scheme for smaller pig producers (currently being considered by the Technical Advisory Committee) so that vital information is captured by the industry. These people are generally trying their best to look after the pigs in their care but do not know how to access available information and advice. The delivery of the Electronic Animal Movement License (eAML2) service via BPEX also means that the locations of smaller units will be identified
- Incorporating other sources of information within one IT system, including eAML2, the BPEX Pig Health Scheme (showing post-mortem findings at the abattoir indicative of endemic disease), Salmonella results (for assured units) (via the ZNCP scheme) and production data
- Establishing areas of disease freedom
- Setting up trading visas, so that disease status is clearly shown upon pig movements

E2 LASER – Livestock Assurance South East Region

Background to the problem

Animal health and productivity are key to the sustainability and profitability of livestock farming. Whilst a small number of farmers are members of health accreditation schemes, many do not know the health status of their animals for the major infectious diseases of economic importance. Some farmers take steps to protect the health of their animals by vaccination, but receive little or no recognition for this in the marketplace.

How the problem is being addressed?

LASER (Livestock Assurance South East Region) is a health assurance scheme that aims to improve the health and productivity of cattle in the South East Region. It is a three-year pilot project, involving farmers, vets, markets, laboratories and industry groups. Farms are awarded a health status (Bronze, Silver, Gold or Platinum) for each of five diseases (BVD, IBR, Leptospirosis, Johne's Disease and bovine TB) based on the steps taken by farmers to identify, prevent, control or eradicate each of the diseases. LASER is the first cattle health assurance scheme to include a notifiable disease – bovine TB – with standards being drawn up by Animal Health, and agreed by the project's Steering Group. The project is managed on a day to day basis by Westpoint Veterinary Group, and overseen by a Steering Group including members of the region's Animal Health and Welfare sub-group of Defra's Sustainable Food and Farming Strategy Delivery Board.

What barriers need to be overcome?

Many farmers are unaware of the financial implications of having infectious disease circulating through their herd, and therefore cannot see the benefit of investing time, effort and money in controlling these diseases. Veterinary surgeons are often very busy, and need to invest time working with their clients to address disease risks on a ‘whole herd’ rather than on an ‘individual animal’ basis. Again, this has financial implications.

What is the cost of the solution?

The £30k pilot project has been funded by EBLEX, with £20k covering the design and build of the web-based database by NMR, and the remainder allocated for project management and communications. Additionally a significant amount of time which has not been charged for has been devoted to the project by members of the project’s steering group, veterinary surgeons, auctioneers and laboratory managers. There is no cost to farmers for joining the scheme, but there are obviously costs associated with vaccination and disease testing. Due to the popularity of the scheme in its first year, and the number of farmers already registered, further funding has been requested from the project’s main sponsor, EBLEX, to provide additional resource to manage the administration of the database and for communication with users, both of which are critical to the success of the project.

What are the benefits?

The main beneficiaries of the project are the farmers and their livestock. By first establishing the health status of their stock, and then taking any necessary steps to improve this, such as by implementing a vaccination or eradication programme, farmers will benefit from having healthier, more productive livestock. There will be a major benefit to farmers who buy and sell cattle, as animals with a higher LASER status are likely to command a higher price, whilst farmers buying in cattle with a known health status will be able to take the appropriate biosecurity precautions, knowing the disease risks that the bought-in cattle pose to their own stock. This will be an even greater benefit if the LASER scheme is rolled out nationally at the end of the three-year pilot project, as it would mean that all cattle keepers across England will be using agreed standards for each of the diseases.

What has been the outcome?

At the end of the first year of the project, over a quarter of the region’s 4000 cattle keepers have been added to the LASER database and work is ongoing to ensure the health status of their farms is kept up to date. There has been an increase in the awareness of the costs associated with infectious diseases, as a number of farmer meetings have been held as part of Livestock Health South East, the region’s training and education programme funded through RDPE. The level of motivation and involvement of both vets and auctioneers in the region will require ongoing attention. Following successful completion of the three year pilot project, it is anticipated that the scheme will be rolled out to other regions. The project has been well received by farmers and vets within the region and has already been identified by key industry leaders as having the potential to bring a significant benefit to the national herd.

At the end of the three-year pilot, the success of the project will ultimately be determined by the number of farmers and veterinary practices that have actively engaged with, and continue to participate in, the scheme, and by the improvement in cattle health associated with the regions farms having a higher LASER status for each of the diseases than at the start of the project. Farmers will have a better understanding of the diseases that affect their livestock, and the measures they can take to protect their livestock against these diseases. Ultimately, improved animal health and productivity will lead to improved profits and improved sustainability of beef and dairy farming in the region.

E3 Bluetongue Virus Control Plan

Background (what was the problem?)

The initial issue was the need to prepare Bluetongue Control Plan because of the increasing threat of incursion of the one of the Bluetongue strains in to the UK.

How was the issue addressed? Who was involved and how were they organised?

The issue was first addressed by a joint Defra and industry working group that developed a basic control plan. Following the first incursion of the BTv8 in to the East of England a Bluetongue Core Group was established made up of key Defra officials and a small group of industry experts.

What were the barriers that were overcome?

The initial barriers were the need to create a spirit of openness and trust between industry and Government. This was very much a joint process with Defra officials and industry representatives working very closely together and sharing information and concerns.

How much was spent, by whom and on what?

The Government spent £11.28m in 2008 purchasing 28 million doses of BTv8 vaccine (which was mostly recouped through sales over 2008/09) and the industry funded much of communication work through its JAB Campaign.

What were the benefits of partnership working to the participants (public sector and private sector)?

The initial benefits were that there was an effective, practical Control Plan developed. The longer term benefit was that a partnership approach to the disease had been established and this was taken forward by the Core Group which effectively developed and delivered a vaccination strategy.

So the Public Sector benefited from having an effective Control Plan which was efficiently and practically delivered. The private sector benefited in the same way but in addition they were ultimately able to reduce that impact that BTv8 had on the industry in the UK.

What was the outcome? What were the critical success factors?

The outcome so far has been the effective control of BTv8 in the UK.

E4 UK Export Certification Partnership

Background (what was the problem?)

There is consistently high demand from the UK livestock industry for export health certification to allow exports of UK livestock and livestock products to non-EU markets, and only limited Government resource available to negotiate and administer the necessary processes. This becomes acute in the aftermath of a UK animal disease outbreak, when potentially hundreds of certificates must be suspended, requiring reinstatement through negotiation with the importing authorities.

How was the issue addressed? Who was involved and how were they organised?

After the 2001 Foot and Mouth Disease (FMD) outbreak a new relationship between Defra's International Animal Health Core Team (now Global Animal Health) and representatives of UK livestock and livestock product exporters was established. This Export Certification User Group (ECUG) met more than 50 times over six years, operating successfully as a consultation and discussion group for the prioritisation of certification.

When FMD reappeared in 2007, the then Secretary of State committed £10m of funding to a recovery programme. As part of this programme, Defra officials and industry representatives visited various countries considered priority markets to expedite the process of re-establishing exports, with many regained far more quickly than in 2002.

This was developed into a three year pilot project in October 2008, the United Kingdom Export Certification Partnership (UKECP). With limited Government funding and injection of focussed industry resource, UKECP helps UK exporters to gain access to non-EU markets. Industry partners contribute to certification production, liaise directly with exporters on priorities, and can act as Defra agents on negotiations missions abroad.

What were the barriers that were overcome?

UK exporters are no longer held back on market choice and effort to expand markets due to limited Defra resource. UKECP provides targeted joint resource allowing UK exporters access to a greater number of markets in which to sell UK product and expertise.

How much was spent, by whom and on what?

Defra has made £200k available over the three year pilot (to Oct 2011) for the sole use of funding negotiation missions (mostly overseas). Industry is represented by a limited company, which draws funding from the UK levy boards and export oriented UK companies. These funds are used to pay for industry resource in producing certification and correspondence, and conducting negotiations.

What were the benefits of partnership working to the participants (public sector and private sector)?

UKECP has resulted in improved relations between Government and industry, allowing focussed collaboration on facilitating priority livestock and livestock product exports, and limiting the impact of animal disease issues (like H1N1 “swine flu” in 2009). The partnership has already provided UK exporters with access to various third country markets which limited Defra resource previously could not address, such as beef to Hong Kong, breeding pigs to Cambodia and bovine semen and embryos to Brazil. UKECP negotiation missions incorporate and progress non-UKECP priority export work, including issues relating to poultry, skins and hides, and horses (in this way exports of thoroughbred horses to India, a longstanding industry goal, was achieved earlier this year). The Defra resource freed up by industry’s contribution is used to explore further avenues to progress negotiations, through working with UKTI in target markets and bolstering and improving communications with the European Commission on market access issues and WTO trade restrictions.

What was the outcome? What were the critical success factors?

Between 2007, when the UK FMD outbreak closed numerous markets globally, and 2009, when the partnership had been running for one year, overall UKECP exports increased by 300%. In the first year 64 new and revised export health certificates were agreed. Defra’s limited outlay of resource saw a return of up to £20 million in increased year on year export earnings; in terms of Defra’s financial outlay (£70k) this equates to approximately £290 per £1 invested. Though it cannot be determined to what extent this is due directly to the partnership, it is reasonable to conclude that much of this results from its success in opening and reopening markets. The value of meat exports increased by about £14.5m between 2008 and 2009 (predominantly pigmeat), and UKECP efforts succeeded in gaining and regaining markets for live pigs worth about £3m overall. The genetics sectors also saw improvements, from low bases, with bovine semen in particular showing strong growth, up by 50% year on year to a value of about £5m.

The partnership has also substantially accelerated the process of recovering markets after disease outbreaks, which in the past often took years. Notable successes in the first year included the lifting of bans relating to FMD in Russia, Ukraine and the United Arab Emirates, and more recently there have been successes lobbying against H1N1 restrictions in China and Ukraine. UKECP has also had substantial success in opening markets for “fifth quarter” meat: offals and other matter usually considered waste in the UK, incurring financial and environmental disposal costs, but which can be sold to markets, predominantly in East Asia, at a premium.

UKECP has succeeded in enabling UK industry to gain and regain more access to more markets more quickly than could otherwise have been achieved. Working in partnership, industry and Defra are able to accomplish far more than had Defra continued to take sole responsibility for export certification.

E5 LandSkills Project

Background

Within Yorkshire and Humber Lantra Sector Skills Council, on behalf of Yorkshire Forward, manages the skills element of the Rural Development Programme for England known as LandSkills.

The £3m LandSkills programme provides up to 70% funding to help farmers, foresters and growers develop their skills through training and knowledge transfer activities, with a minimum of 56% of spend with livestock farmers.

How was the issue addressed? Who was involved and how were they organised?

We work with a group of nine local farmers, growers and vets (known as the Industry Advisory Board) who steer the programme to make sure the funding is being used in the best way.

Sheep farmer Richard Schofield joined the board to ensure the project supports the training and development needs of sheep farmers.

With a flock of 200 sheep and as a part time trainer for 10 years with the British Wool Marketing Board, Richard has extensive knowledge of industry issues and how to engage with sheep farmers. Richard said: "Being on the board allows me to act as a spokesman for the industry. My experience means I can inform the board of industry needs which will improve profitability."

The board has utilised a range of providers including the Churches Regional Commission (CRC), XL Vets and NADIS to name a few, to devise and deliver practical workshops focusing on improving animal health and welfare.

What were the barriers that were overcome?

There are a number of challenges in engaging with sheep farmers:

- They are notoriously hard to reach
- Historically don't want to take time away from the farm to train because they often have a second job
- Don't like full day or to pay for training
- Don't have good internet access which limits communications

To engage with upland farmers the CRC goes directly to them arranging events in auction marts, local village halls and community groups, often handing out specific flyers and customised course information.

Attending such venues on a regular basis not only increases awareness of the CRC and LandSkills but enables them to build relationships with farmers and develop a database of contacts. Access to broadband is limited, so the CRC will issue hand outs or postcards. This method has lead to an average acceptance rate of 80%.

EID tagging regulations has caused the industry to demand information about its potential impact. To meet the huge list of queries and questions the CRC has run a number of evening workshops with industry specialists and a tag manufacturer to showcase how tagging can help a business with its recording and disease information. Referrals were also made to other courses, especially the technical/machinery training required to work safely in remote areas.

Vets are trusted intermediaries, able to impart the latest technical and practical information, in local venues often on an evening, so farmers enrol and learn new techniques which are utilised immediately afterwards. Having limited income often means sheep farmers are reluctant to pay so XL Vets has helped to encourage uptake by setting fees paid by the farmer at £35 and £45.

What was the outcome? What were the critical success factors?

By working with a range of training providers such as the levy boards, the vet networks, Training Groups and the CRC we have been able to improve the ongoing communications with a group of farmers who are often difficult to engage with. With XL Vets in particular the funding offered has led to an increase in uptake on worm control strategies and more targeted use of anthelmintics on sheep farms in this region.

Many farmers have fed back that they are updating themselves and by working with their vets they are developing herd/flock health improvement plans which will provide a return on investment.

How much was spent, by whom and on what?

LandSkills has a target spend of £1.1m for the sheep and beef industry and since the programme began in 2008 we have spent £410,000 on this industry.

By working with 7 providers we have helped 840 sheep farmers to go on 1085 training events in areas such as:

- EID information
- Lambing
- Lameness and foot trimming
- Parasite control
- Disease recognition
- Understanding the anatomy
- Nutritional strategies
- Prevention as well as cure
- Sheep shearing.

What were the benefits of partnership working to the participants (public sector and private sector)?

LandSkills Industry Advisory is a partnership of local farmers, growers and vets, Lantra and Yorkshire Forwards rural team who commission knowledge transfer and training that meets real industry needs.

The commissioning process allows members to see a range of different applications, many with innovative methods of engagement and delivery which can tackle issues such as animal welfare, sustainability, etc. Comparing applications allows the board to examine value for money and potential impact.

Working together with veterinary networks has allowed us to target the sheep farmer in a constructive way, delivering timely sessions on topics he/she recognises as a priority for their farm business. Many vets have updated their own skills by attending train the trainer events to ensure real learning outcomes for individuals attending. As a result we have been able to fund activities that help farmers to identify early warning signs so preventative action is taken reducing health problems. This has also built trust between the farmer and their vets so if something does hit the flock they can work together to resolve it quickly.

What are the next steps and who is responsible for them, and how will this continue to improve the situation?

RDPE funding will continue to develop the skills needs of sheep farmers and others until March 2013.

As a result of the targets exceeded, Yorkshire Forward has recently recommended that Lantra produce the business case to extend the LandSkills contract until 2013.

Future commissioning via LandSkills will build on the existing animal health and welfare programmes, publishing case studies showing business benefits of skills and knowledge transfer, to help recruit those who haven't yet engaged.

Subsidising the cost of workshops, delivering on farm or in local venues at times to suit the livestock sectors will continue to be a cost effective method of improving animal health and welfare especially when being shared across various farmer groups.

For more information about LandSkills visit www.lantra.co.uk/LandSkills-YH, call 0845 2788800, email LandSkills@lantra.co.uk alternatively follow LandSkills on Twitter at twitter.com/RDPELandSkills.

E6 RDPE North West Livestock Programme

Background

The profitability of livestock farming in the North West has been generally low over the past 10-15 years and has shown wide variations from farm to farm. Within the Rural Development Programme for England (RDPE), the EU allowed some funding to improve the competitiveness of the livestock sector. This source of funding offered an opportunity to put in place a programme which addressed farm profitability and competitiveness by improving animal health, alongside greater efficiency in the use of farm inputs.

Engaging farmers in technical forward planning activity – keeping ahead of the current challenges – has been difficult historically for several reasons: lack of belief in positive outcomes, no simple ways of identifying clear benefits, and the variable quality of the delivery work at grassroots level.

How was the issue addressed? Who was involved and how were they organised?

In 2008 the North West Regional Development Agency (NWDA) rural team set up a livestock sector steering group comprising relevant Government agencies; farmers; sector groups like the NFU; and chaired by the SSFF regional champion. Consultants (ADAS) were procured to set out a business case for utilising around £18 million of funding targeted at the livestock sector.

The agreed proposal was to run an integrated programme of knowledge transfer activity and a capital Performance Grants scheme, to help farmers to implement the recommendations of the knowledge transfer. The work can be roughly divided into three areas: nutrient management and resource efficiency; animal health and welfare; and communication, sharing good practice, knowledge and ideas.

Quality and consistency is overseen by training and mentoring a wide range of on-farm deliverers involved in the programme.

The contracted animal health deliverers have engaged with the farmers' own vets, using a technical adviser alongside to ensure practical solutions.

The technical (animal health and welfare) planning stage results in an action plan for each farm which recommends priorities and possible changes, and any capital investment required. If this investment is an eligible item from the Performance Grant list, an application for aid can be made. These items may not be large scale but are important improvements to enhance performance and are above standard farm practice, for example rubber flooring to improve foot and hock health, or cluster flushing to address high cell counts. The grant panel which meets to decide on the grants consists of farmers, Defra agencies (EA/NE/FC), and NWDA itself, with members of each group participating on a rotating basis.

The communication strand of the programme supports 6 North West monitor farms as well as group activity and demonstration events. Monitor farms enable a group of farmers to decide on trial projects on one monitor farm and then disseminate the results more widely. These farms are ordinary everyday holdings, so that other farmers who visit or get involved can go away and try the same things themselves. They are not intended to be faultless examples.

A website – livestocknw.co.uk – has also been set up to disseminate technical information and to act as a wider communication channel.

What were the barriers that were overcome?

The main barriers to any RDPE funded programme are eligibility and complexity of regulations. It takes an absolute belief that an approach will work in order to drive forward more complex schemes. There is a temptation to go for simplistic projects which fund something observable, spend quickly and are more easily understood by those who are not au fait with the matrix of issues which influence farm productivity. It takes commitment, enthusiasm and support from all the partners – public and private – to keep the programme integrated and farmer friendly.

A further barrier to many such programmes is farmer cynicism of advisers who appear not to add value to their business decisions. In this case, the channel through farm vets has to some extent overcome this, helped by the training of advisors. Much depends on the dedication and professionalism of the individuals involved.

How much was spent, by whom and on what?

The NW Livestock Programme is funded by RDPE money but requires some private match-funding, since intervention levels are prescribed. Of the total £17.8m, the Performance Grants comprise £9.75 million, which at 40% intervention will lever in at least £14.6 million private funds. The remaining £8 million pays for the knowledge transfer work including monitor farms, demonstrations and group activity, the ICT network and website, the training of all vets and advisers, and at least 4,200 one to ones. This is funded on average at 90%.

What were the benefits of partnership working to the participants (public sector and private sector)?

The importance of the involvement in decision making both at the initial planning stage and at the quarterly grant panels by farmers alongside Government agencies should not be underestimated. Technical input is needed from active farmers typical of the industry.

The use of monitor farms to test out production systems and disseminate outcomes is a sound grass roots approach. However the project is unlikely to succeed without the work of a paid coordinator to set up events and hold the groups together.

What was the outcome? What were the critical success factors?

The outcome is difficult to assess as we are not yet halfway through the programme, but there are positive signs

What are the next steps and who is responsible for them, and how will this continue to improve the situation?

We would hope to continue the building of relationships and confidence between vets and farmers, and the mentoring of vets and advisers to improve their understanding of farm businesses.

We would like to continue or even expand the monitor farm or demonstration site networks in some way, so these could be used for knowledge transfer not only for farmers but as training grounds for a farm based approach for all advisers or officers who go onto farms for any reason.

Animal health and welfare planning per se does not necessarily improve the health status on the farm. The upward curve of attitude and behavioural change can only be maintained by belief that the changes recommended actually work, and that measurable outcomes are achievable for the business as a whole.

E7 Scotland is eradicating BVD

Background

Bovine Viral Diarrhoea (BVD) is a serious infectious disease of cattle. It causes loss of production through sickness, death and reduced fertility but there is no risk to human health.

In Scotland there have been successful regional initiatives to tackle BVD. Shetland is stably free and many cattle keepers have eliminated BVD from their herds on the advice of their vet or through local schemes.

How was the issue addressed?

In 2009, leading veterinarians and cattle farmers approached the Scottish Government (SG) with well developed plans for a national eradication programme, taking advantage of experience in other European countries and recent technological developments such as tissue-testing ear tags. SG considered these proposals from a range of perspectives:

- Alignment with the high level objectives of SG including sustainable economic growth and reducing greenhouse gas emissions
- Constraints on our ability to legislate including EU law underpinning free trade in the single market and human rights such as the right to property
- A high level economic analysis to understand the relative distribution of costs and benefits between individual farmers, the industry collectively and the general public. It concluded that BVD eradication should be worth £50-80M over 10 years and there should be reduced greenhouse gas emissions per unit of beef or milk produced.
- The practicalities of eradicating disease at a national level at minimal cost and without disrupting established trading patterns. Scotland depends on an annual influx of approximately 30 000 cattle from other parts of the British Isles to augment breeding and finishing herds.

This led to a consultation in June-July 2010 supplemented by several lively public meetings organised by industry. It was understood that SG could only contribute a modest amount of funding and there was a constructive debate about how money best be raised and spent. There was a strong message that the arrangements should be demonstrably fair so those who had already tackled BVD at their own expense should not be disadvantaged or subsidise the 'laggards'. That pointed away from a levy to everyone bearing their own costs – these should be minimal for herds which are already free. SG considered extracting money from the CAP but that would have been administratively burdensome and poisoned by cross-compliance risks.

SG consulted on the proposal that it should pay a flat rate of compensation for persistently infected animals but the consultation suggested that this was premature so initial funding was redirected towards awareness raising and surveillance delivered through veterinary practices. This has the advantage of minimising administrative costs and of giving a modest reward for herds already free.

What was the outcome?

On 22 September 2010, SG launched a campaign to eradicate BVD from Scotland. It is focusing the limited resources on doing what Government is best placed to contribute, such as making and enforcing legislation and co-ordinating the national plan. Each cattle keeper will be responsible for eliminating BVD from their herd at their own expense. Many have already done it but there is an added benefit in eradicating the disease from the whole of Scotland as quickly as possible because it greatly reduces the risk of a free herd becoming infected.

The initial phase over the coming winter is voluntary with £400 000 of financial support for veterinary surveillance and advice. SG will gather data on the level of uptake and the proportion of infected herds to help shape the rest of the programme. An additional incentive for prompt voluntary action is the threat of impending compulsory measures.

SG has declared an intention to make screening tests compulsory and ban intentional trading of infected cattle in 2011. In 2012 further measures should take effect which will effectively make it obligatory to eliminate BVD from each herd and place the onus for preventing the spread of infection on the minority of keepers who still have evidence of infection.

E8 Tackling exotic diseases of pigs

Background – the risk of exotic animal diseases

Animal diseases that are not ordinarily present in the UK are termed exotic diseases. For the more serious exotic diseases, EU law requires action if an outbreak of an exotic disease occurs in a Member State. The relatively small outbreaks of Classical Swine Fever in 2000 followed by a much more significant outbreak of Foot and Mouth disease in 2001 highlighted to Government and the pig sector the importance of being prepared to respond to incursions of exotic diseases. The potentially devastating effect on the pig industry that could result from outbreaks of Classical or African Swine Fevers was recognised and a work-stream was initiated in 2008.

During 2009 a human influenza pandemic was reported by the World Health Organisation giving rise to concern that this strain of influenza would inevitably enter UK pig herds. Both industry and Government recognised this threat as a priority for action and the need to work jointly on a solution was seen as a priority.

Approach to developing control policies

To help address these kinds of exotic disease issues a small but representative “GB Pig Core Group” was established in 2008, drawn from individuals from Defra, devolved Governments, delivery agents and industry. This group worked on Chatham House principles to understand the issues faced from the perspectives all parties and to develop and assess different policy options. It was recognised by the group that it would not always be possible to achieve everyone’s aims but it was important that the process was open, honest, and that everyone understood how policy proposals and decisions were reached.

A key aim was to seek practical and proportionate policies to reduce the risk from exotic pig diseases. The group provided a breadth of relevant expertise and knowledge to apply to the issues, and the ability to tap into wider networks where necessary.

Key features of a successful core group

To allow honest and open policy making it would be necessary to share information and ideas in a safe and confidential environment. Clearly openness and honesty between members was an important part of building trust and effective relationships. There are many interested parties in the pig and related sectors but to be effective a relatively small group of key players, with specific and direct interests was needed. Members needed to see value in the end goals in order to make the necessary commitment of time and energy to the outcomes.

The success of the core group depended upon a clear modus operandi. The group understood where information was to remain confidential and this was respected when members needed to consult more widely. As part of developing policies, members would be expected to communicate the outputs of the group to others. It was also important the group had space to respond to changes in the real world and thus flexibility to adjust priorities.

The benefits of a partnership approach

This approach enabled members to build a far better understanding of policies, issues and options, both from the perspective of industry, delivery agents and Government. It allowed an understanding of the wider policy making constraints and a realistic understanding of how measures could be most effective and how best to gain commitment to implement them. This, we believe, has delivered better policies that can more readily be delivered, with clearer roles in delivering them.

A further benefit is the opportunity to identify and use the most appropriate communication channels, to better design and tailor messages and thus influence behaviours. In some instances a message was best delivered by Government, perhaps on issues such as food safety, whereas others by industry such as how best to implement a policy on the ground.

Examples of successful outcomes

Classical and African Swine Fever disease control strategies were published in March 2010. The group strongly influenced the controls to address practical on-farm issues, as far as EU law would allow, whilst ensuring a full and effective disease control framework was set-out. Furthermore, the process identified detailed factors to be built into operational and delivery decisions during an outbreak, such as movement licensing principles. The group recognised disease controls will inevitably lead to some consequences on and around affected farms and these potential impacts were logged for later review by the group.

The effective relationships already built within the group and its willingness to be flexible in responding to real world issues allowed a rapid response to the emerging threat to pigs from the 2009 human influenza pandemic. The group was proactive and its early thinking led to the UK making effective representations to the European Commission for a proportionate response across Europe. In parallel the group prepared a joint industry and Government Code of Practice that was practical and effective on the ground whilst ensuring the necessary disease control and surveillance objectives could be achieved.

And the future

Working in close partnership has, we believe, allowed clear strategies to be published. This effective partnership continues to take forward the potential impacts logged during policy development and wider issues that present disease incursion risks. Industry is best placed to lead on some aspects, such as advising pig farmers about effective on farm contingency plans. Delivery agents have practical experience on a number of issues which they are able to lend industry in developing standard operating procedures. The potential commercial issues that might arise during an outbreak as a result of the animal movement restrictions need to be explored in partnership to develop potential schemes to mitigate these impacts. We continue to make best use of these effective relationships to draw upon the group's collective knowledge and intelligence to respond flexibly to the ever changing disease risks.

E9 Beyond Calf Exports Stakeholder Forum

Background

In the mid 1990s there were a lot of public protests around the export of young male black and white calves to veal crate systems abroad. This was a legal trade in calves to a system that was illegal in the UK. Male calves were a by-product of the milk industry and had little use in the UK as the UK was not a major market for veal. The Netherlands was a major European veal producer but did not have enough calves to satisfy demand.

The calves were either killed at birth, exported to the Netherlands or used in the UK food chain. The forum was charged with finding a sustainable solution to this problem.

There were four main obstacles to be overcome:

- lack of profitability in the beef sector which meant it was not profitable to rear on calves
- the use of sexed semen as a technology (and thus reduce the numbers of male calves born) was seen as imperfect, expensive and its use sceptically viewed by farmers
- demand overseas was for locally produced veal and beef so there was no market in the UK or overseas for UK veal or baby beef
- there was no value in the supply chain as prices were kept low

How was the issue addressed? Who was involved and how were they organised?

The Calf Forum was set up and chaired by RSPCA and Compassion in World Farming in 2006 to act as a cross-sectoral body for information exchange, working together on shared goals and agreement on problem solving. Membership included representatives from all the major sectors such as producers, farmers, retailers and NGOs. They agreed goals, research requirements to achieve those goals and a report back mechanism in a controlled atmosphere where others could learn from programmes being used.

Three outcome measures were agreed for the Forum: an increase in uptake of male dairy calves into the UK beef food chain; a reduction in calves killed on farm; a reduction in live exports of calves for further fattening.

The forum focused its work to achieve these measures by supporting and encouraging the development of economically viable outlets for the domestic rearing and finishing of male dairy calves, assisting dairy farmers and raising awareness to identify market opportunities.

A website was set up (www.calfforum.org.uk), and annual progress reports produced in 2007, 2008 and 2009 as well as scientific reports on issues of concern such as sexed semen and data on the beef and calf industry.

What were the barriers that were overcome?

Three barriers were overcome. The most important was obtaining agreement from retailers and producers on the measures that were needed to overcome the market forces that made it financially uncompetitive to rear calves in the UK. It was always recognised that market pull through mechanisms were needed to convince farmers to rear on their calves instead of killing them or sending them abroad. Communication was seen as a barrier especially for producers and farmers,

to encourage the use of new techniques and to overcome perception issues in the market resulting from the assumed poor meat configuration from black and white Holstein calves.

How much was spent, by whom and on what?

The Forum itself was funded by the RSPCA and CIWF and cost annually about £20,000. This paid for the meetings, a part time person to run the Forum and research that the forum requested. Initiatives that resulted from the forum such as those pursued by retailers on their assurance schemes or own initiative programmes were self-funded by the relevant business.

What were the benefits of partnership working to the participants (public sector and private sector)?

All the participants agreed on shared goals and vision and all wanted to achieve progress. Good communication and cooperation between the private sector, the third sector and farmers was essential and resulted in new initiatives during the four years of the forum. The Government benefited as a market based solution was obtained to an issue that could not be tackled through legislation but was still of major public concern.

What was the outcome? What were the critical success factors?

There were three outcomes. Firstly an increased uptake of male dairy calves in the UK beef chain occurred – 61,000 additional calves went into the food chain between June 2008 and May 2009. Secondly the numbers of calves killed at birth reduced between June 2008 and May 2009, and finally only 9,000 calves were exported in the year May 2008/May 2009 compared to 53,000 in the previous year 2007/8 (and to 100,000 in 2006/7).

The critical success factors were the initiatives developed by retailers, processors and restaurants that resulted in new schemes to improve the market conditions to rear on black and white calves and provide the right financial conditions to market this product. Communication to farmers on market opportunities showed the economic value of key dairy animal traits.

However there have been some unintended consequences - in 2010, partly due to the additional volume of beef from male black and white dairy animals, there was a fall in the farm-gate price for UK beef producers.

What are the next steps and who is responsible for them, and how will this continue to improve the situation?

The Forum has agreed that it will set a fixed term life of 2011 for its work. It will have a further two meetings and produce a final report. There are a number of indices that require long term solutions or fluctuate annually; these include market conditions in the beef industry (eg: from global beef prices, wheat prices), the transfer to a more robust dairy cow and the disease status of dairy herds. All impact on the profitability of the market for male dairy calves. However the forum feels that the schemes that have been introduced and the partnerships that have evolved particularly between retailer and farmer in the four years of the forum's life will mean that there is a continued market solution to this problem.

Annex F

International comparisons

Country	Policy
Germany	Arrangements in Germany for responsibility and cost sharing have existed for a long period of time. Animal Disease Funds exist in each Land (province). These funds are legal bodies and are financed by livestock keepers and the Länder and Federal Governments. Some peacetime disease control expenses are financed jointly by the livestock keepers and the Government e.g. vaccination banks, research and development. Costs of dealing with disease outbreaks are met 50:50 by Government and livestock keepers with statutory limits on compensation. Industry contributions are determined on the basis of annual declarations of animals held on holdings.
Netherlands	Disease outbreak costs are financed by livestock producers up to a pre-determined limit. Representatives of livestock keepers (the Product Boards) and Government negotiate the limit and this is set out in a five year agreement. The industry must service a bank guarantee up to the limit. Expenses within the five years in excess of the limit are met by the Government. Some routine surveillance and monitoring is financed by an on-going levy collected by the Product Boards.
France	Although disease outbreak costs are met by the Government France has a well developed system of industry driven self help to improve animal health and welfare. The Groupement de Défense Sanitaire (GDS) exists in each Department and is financed from livestock subscription to deal with diseases outside of the direct purview of the Government. Participation in an animal health measure by livestock keepers becomes compulsory once a trigger has been reached on the number of farmers participating voluntarily. The GDS also operates an FMD mutual insurance for business interruption costs covering those livestock farmers affected by disease control restrictions but not subject to slaughter of animals.
Republic of Ireland	Ireland has been operating an animal disease levy system in respect of milk deliveries and cattle slaughtered or exported live, since the creation of their Bovine Diseases (Levies) Act in 1979. The money collected is used to contribute towards the compensation costs for the TB and BR Eradication Schemes. The companies paying the levy are entitled to recoup the money paid in levy to the Government from their suppliers, by deducting it from the price paid for the milk or animal.
Belgium	Separate sanitary funds exist for cattle, pigs, poultry, dairy and small ruminants. Livestock keepers pay levies and the money collected is used to fund the replacement of stock slaughtered compulsorily as part of disease control and prevention, to compensate for destruction of products (e.g. eggs, milk), for the acquisition of vaccines (e.g. salmonella), for fees to vets for surveillance, for monitoring and eradication programmes and for building up reserves for crisis situations. Slaughter compensation is based upon standard values. The funds are held separately for each species as part of the Consolidated Fund of the Belgian state. Contributions are assessed as follows: Cattle: number of animals in herd (from the Government's Sanitel database). EU co-financing (BTV vaccination programme 08/09/10). Small ruminants: number of ewes over six months of age. EU co-financing. Pigs: according to the capacity of the holding (invoice data from Sanitel database) and a risk based contribution. EU co-financing (Aujeszky programme). Dairy: based on milk production. Poultry: according to the type of poultry keeping (breeding or laying) and capacity of the holding (from Sanitel database). EU co-financing (Salmonella).

Country	Policy
Denmark	Production-based levies in Denmark are well developed; and aim to meet common challenges of the future for the agriculture sector which cannot be met by the farmer alone. Levy funds raised contribute to investments in research and development, prevention and control of diseases, promotion of products and education and consultancy. Farmers are compensated for all losses. For cattle and pig sectors. Compensation for operating losses until restocking paid 20% from public funds and 80% from industry's production levy funds.
Australia	An agreement between Government and industry sets out four categories of disease according to the main parties affected (from serious threats to human health, to diseases that mainly affect production) and for each, an agreed percentage Government/industry split of the costs of dealing with that disease. The costs of salaries and wages, operating expenses, capital costs incurred by parties responding to the disease and compensation to affected owners are covered by the arrangement. It does not cover consequential losses.
New Zealand	Deed of Agreement for joint decision-making and cost sharing published in August 2010 sets out governance structure by which those willing to enter into cost sharing arrangements can be involved in decision making.

Annex G

Skills and competences for board members

Chair: Role and Key features

- Lead the board (external members and senior Defra officials), to reach collectively agreed and soundly based views and decisions;
- build good working relations with Defra Ministers and officials to ensure the effective working of the Board;
- develop effective engagement with the livestock industry, animal keepers, veterinarians, welfare groups and other stakeholders, and support the external members in doing so;
- represent the Board, communicating its work, views and decisions to stakeholders and the general public.

Independent Chair: Skills and Experience

Essential Criteria

Skills

- A leader who can build a strong culture of partnership at all levels;
- A strategic, innovative and creative thinker, able to shape and communicate a clear vision;
- An effective decision maker, able to shape impartial, objective and pragmatic advice in the best public interest and broker change.

Experience

- have experience of high level leadership and giving strategic direction, as evidenced by personal achievements in management, professional or vocational spheres;
- have a strong track record in communicating, leading and managing committees or boards at a high level, with experience of balancing conflicting interests and achieving consensus;
- have experience of media handling and public speaking;
- have experience of overseeing significant budgets and programmes;
- be experienced in investigating complex issues, developing own views and making impartial judgments;
- be capable of building and maintaining effective working relationships with Ministers, public officials, private sector and third sector organisations;
- have the resolve to set high standards and to share responsibility for results.

Desirable Criteria

Experience/knowledge

- Ability to develop a good understanding of the work of livestock and food industries, animal keeping, Defra, its Agencies, and its stakeholders;
- Ability to develop an understanding of the relevant scientific and technical issues that affect the livestock sector and animal keepers.

Appointed members: Role and Key features

- Actively and constructively contribute to the deliberations and work of the Board (external members and senior Defra officials), to reach collectively agreed and soundly based views and decisions;
- Build good working relations with other members of the Board and officials to ensure the effective working of the Board;
- Take lead responsibility for effective engagement and communication with a sector (or sectors) of the livestock industry or animal keepers, or other interested groups;
- Represent the Board, communicating its work, views and decisions to stakeholders and the general public.

Appointed members: Skills and Experience

Management

Essential

- Creative, innovative and strategic thinking;
- Analytical ability and effective decision making;
- Ability to discuss differing opinions reasonably and confidently;
- Have current or recent experience of sitting on or chairing a board or committee;
- Have experience of managing budgets;
- Have risk management experience;
- Have a good understanding of organisational, management, business planning and financial accountability issues.

Teamworking

Essential

- Sensitivity to people and situations;
- Experience of working in partnerships within the private/public sectors.

Communication skills

Essential

- Effective communication skills with the ability to promote the views of the Board to media, Ministers, and to stakeholders;
- Good interpersonal skills, including the ability to negotiate and persuade;

- Demonstrate the ability to gain the confidence of relevant stakeholders and to develop communication channels with these groups;
- Ability to lead in face of criticism.

Knowledge – General

Essential

- Have knowledge of animal health and welfare issues;
- Ability to develop a good understanding of the work of livestock and food industries, animal keeping, Defra, its agencies, and its stakeholders;
- Ability to develop an understanding of the relevant scientific and technical issues that affect the livestock sector and animal keepers.

Desirable

- a good understanding of how Defra and its agencies operate;
- an understanding of Defra legislative and delivery arrangements;
- an understanding of European and international issues relating to animal health and welfare.

Knowledge and Experience – Specific

In addition to the general skills and competencies the external board members ([7] in total) will bring complementary knowledge including understanding, experience, and contacts from a range of relevant areas. Together these will include knowledge of all kept and farmed animals (including pigs, poultry, cattle, sheep, horses and aquaculture) and farming in different parts of England; animal health and veterinary science (including public health implications); animal welfare; and wider public interests (including safety and security of the food chain and environmental issues).

Annex H

Existing Defra advisory groups

Formal Advisory Bodies – *Animal Health and Welfare and other interests in Defra*

Science Advisory Council (SAC)

Advisory Committee on Releases to the Environment

Spongiform Encephalopathy Advisory Committee (SEAC) [responsibilities will transfer to the DoH sponsored Advisory Committee on Dangerous Pathogens (ACDP) in 2011]

Expert Committees – *Animal Health and Welfare only*

Farm Animal Welfare Council

Bovine TB Science Advisory Council

National Standing Committee on Farm Animal Genetic resources

Expert Committees – *Animal Health and Welfare and other interests in Defra and other departments (notably Department of Health)*

UK Zoonoses, Animal Diseases and Infections (UKZADI) Group

Advisory Committee on Dangerous Pathogens (ACDP)

Advisory Committee on Animal Feedingstuffs

Human Animal Infections and Risk Surveillance (HAIRS) group

Zoos Forum

Stakeholder and Informal Advisory Groups –

Animal Health and Welfare only

Bovine TB Eradication Group

Livestock Information Forum

Livestock Information Core Group

National Control Programme for Salmonella stakeholder Group

Exotic Disease Core Groups:

Bluetongue

FMD

Equine

Avian

Pigs

Equine Health and Welfare Strategy Group

Annex I

List of diseases covered by compensation guarantees

This table is based on the information taken from the ‘Compensation Arrangements’ chart. A list of diseases by category are provided below.

Current level of compensation guarantees	List of diseases covered if animal slaughtered is healthy	List of diseases covered if animal slaughtered is diseased
Market value	African Swine Fever; <i>Bluetongue</i> ¹³ ; Foot and Mouth; Poultry diseases; Avian Influenza; Newcastle Disease; Fowl Cholera; Infectious Bronchitis; Infectious Laryngotracheitis; Pullorum Disease; Fowl Typhoid; Fowl Pox; and Fowl Paralysis Rabies; Classical Swine Fever; and Swine Vesicular Disease Total: 15 <p>[*Tuberculosis/ BSE for buffalo/bison or if no table value/Scrapie if reject pre-determined values.]</p>	Bluetongue; Foot and Mouth Total: 2 [BSE for buffalo/bison or if no table value]
Table valuations based on the principle on compensating livestock keepers to average market value	Brucellosis (<i>Brucella melitensis</i>); Enzoonotic Bovine Leukosis; Transmissible Spongiform Encephalopathies; and Tuberculosis Total: 4	Brucellosis (<i>Brucella melitensis</i>); Enzoonotic Bovine Leukosis; Transmissible Spongiform Encephalopathies; and Tuberculosis Total: 4

¹³ The current Government policy for bluetongue is vaccination. The compensation guarantees for healthy animals presented in the table are therefore superseded by the Governments current disease control strategy.

Capped or fixed % of market value ¹⁴	Aujesky's ¹⁵ Cattle Plague (Rinderpest) ¹⁶ Pleuro-Pneumonia ¹⁷ Total: 3	African Swine Fever ¹⁸ Aujesky's Cattle Plague (Rinderpest) Equine Infectious Anaemia (£1) Pleuro-Pneumonia Rabies ¹⁹ Classical Swine Fever ²⁰ Swine Vesicular Disease ²¹ Total: 8
Secretary of State determines the valuation of an animal in the event of slaughter. Disputes over valuation are settled by arbitration ²² .	African Horse sickness ²³ ; Contagious agalactia; Contagious Epididymitis; Epizootic Haemorrhagic Disease; Goat Pox; Lumpy Skin Disease; Peste des Petits Ruminants; Rift Valley Fever; Sheep Pox; Teschen Disease; Vesicular Stomatitis; and West Nile Virus Total: 12	African Horse sickness; Contagious agalactia; Contagious Epididymitis; Epizootic Haemorrhagic Disease; Goat Pox; Lumpy Skin Disease; Peste des Petits Ruminants; Rift Valley Fever; Sheep Pox; Teschen Disease; Vesicular Stomatitis; and West Nile Virus Total: 12
Nil	Equine Infectious Anaemia Total: 1	Poultry diseases: Avian Influenza; Newcastle Disease; Fowl Cholera; Infectious Bronchitis; Infectious Laryngotracheitis; Pullorum Disease; Fowl Typhoid; Fowl Pox; and Fowl Paralysis Total: 9

14 Compensation guarantees which specify caps on market values are currently specified by legislation written nearly three decades ago ('Aujesky's Disease Order 1983', 'Schedule 3 of the Animal Health Act 1981'). In the event of an outbreak, compensation caps may be reviewed up to a more current monetary level.

15 Compensation for Aujesky's disease is capped at £300

16 Compensation for Cattle Plague (Rinderpest) is set at 50% of market value, with a cap of £20 per animal. In the event of an outbreak, it is likely the cap will be revised upwards.

17 Compensation for Pleuro-Pneumonia is set at 75% market value, with a cap of £30 per animal. In the event of an outbreak, it is likely the cap will be revised upwards.

18 Compensation for animals slaughtered which are infected with African Swine Fever is set to 50% market value.

19 Compensation for animals slaughtered which are infected with Rabies is set to 50% market value

20 Compensation for animals slaughtered which are infected with Classical Swine Fever is set to 50% market value

21 Compensation for animals slaughtered which are infected with Swine Vesicular Disease is set to market value, less salvage value.

22 The compensation guarantee is specified by the 'Diseases of Animals' (Ascertainment of Compensation) Order 1959.

23 Compensation guarantees for African Horse Sickness are currently being revised.

