

# Quick guide

## Animal health – Responsibility and Cost Sharing

July 2011

### 1. What is animal health cost and responsibility sharing?

Cost sharing refers to the **division of costs associated with animal health between the Government and industry**. Responsibility sharing is often referred to in conjunction with cost sharing.

The adequate control of major diseases that are not usually present in the UK or EU such as Foot and Mouth Disease (FMD) or diseases that may also infect humans (zoonoses) is thought to be of wider benefit to society and therefore the cost is usually borne by the UK taxpayer. The livestock industry bears the cost of control of endemic diseases that affect animal welfare and productivity but are not deemed to present a significant public concern.<sup>1</sup> Government and industry also share the cost of control of some diseases in the UK. For example, some of the costs of control of bovine spongiform encephalopathy (BSE) and scrapie (TSE) have been transferred to industry in recent years - livestock keepers are now responsible for the correct disposal of deceased livestock to prevent the transmission of such diseases.<sup>2</sup>

**Cost sharing arrangements** such as levies, insurance schemes and standard industry contributions to disease costs **are already in place in many other countries** such as New Zealand, Germany, the Netherlands and France.<sup>3</sup>

### 2. What arguments have been put forward for cost sharing?

According to the England Advisory Group on Responsibility and Cost Sharing:

'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.'<sup>4</sup>

The 2002 Anderson inquiry into the 2001 FMD epidemic reported that at present **there is an imbalance between the cost and benefit of disease control between stakeholder groups**. The 2001 FMD epidemic is estimated to have cost the UK Government around £2.8 billion, half of which was compensation paid to farmers. The overall cost to

<sup>1</sup> England Advisory Group on Responsibility and Cost Sharing, *Final Report*, December 2010 [Accessed 10 March 2011]

<sup>2</sup> Defra, *Fallen stock and other animal carcasses*, 4 September 2009 [Accessed 9 March 2011]

<sup>3</sup> England Advisory Group on Responsibility and Cost Sharing, *Final Report*, December 2010 [Accessed 10 March 2011]

<sup>4</sup> *ibid*

agriculture by May 2002 was an estimated £355 million whereas the cost to other sectors was far greater – tourism was estimated to have incurred losses exceeding £2.7 billion.<sup>5</sup>

The Anderson inquiry further concluded that:

**‘On narrow economic grounds, it is difficult to see why costs as substantial as those of the 2001 epidemic should be met by people not engaged in agriculture...**

**...We accept that it is neither possible nor acceptable that the farming industry should bear the full costs associated with that control.** There are wider benefits of controlling FMD, which accrue to the country as a whole. The implication of this is that **the public should bear at least some of the costs of maintaining a healthy and extensive livestock industry.** But, in return, the farming industry must recognise that it, along with others, has responsibilities for the rural economy and should contribute to its future development.’<sup>6</sup>

The GB Animal Health and Welfare Strategy, released in 2004, took a similar stance:

**‘...in principle the taxpayer should really only be expected to pay for genuine public good.** The distribution of costs should not only better reflect where the balance of responsibilities lie for managing the risks, but also take account of those who benefit from measures to manage them’<sup>7</sup>

The European Commission is also increasingly concerned about the amount of funding spent on animal health issues.<sup>8</sup> Between 1997 and 2005 the UK received **59 per cent** of the total EU contribution towards emergency animal health measures, and was one of seven Member States that, combined, received **88 per cent** of EU contributions towards national control and monitoring of animal diseases and zoonoses.<sup>9</sup>

However, there are concerns surrounding the effect that cost sharing will have on agriculture. For example, respondents to a 2009 Defra consultation on animal health<sup>10</sup> were **concerned that cost sharing would affect the viability of the livestock industry.** Concerns were also raised about the possible fragmentation of policy and approach to disease control within the UK and that **difference of opinion between England and devolved administrations could hamper response times to disease outbreaks.**<sup>11</sup>

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<sup>5</sup> Anderson, I., *[Foot and Mouth Disease: Lessons to be Learned Inquiry Report \(Section 14.1\) HC 888](#)*, 22 July 2002 [Accessed 9 March 2011]

<sup>6</sup> *ibid*

<sup>7</sup> Defra, *[Animal Health and Welfare Strategy for Great Britain](#)*, 2004 [Accessed 9 March 2011]

<sup>8</sup> Welsh Assembly Government, *[Responsibility and Cost Sharing for Animal health and Welfare in Wales](#)*, March 2008 [Accessed 9 March 2011]

<sup>9</sup> *[9536/08](#)*, 22.5.2008 [Accessed 10 March 2011]

<sup>10</sup> Defra, *[Consultation on a new independent body for animal health: a modern governance and funding structure for tackling animal disease](#)*, March 2009 [Accessed 11 March 2011]

<sup>11</sup> Defra, *[Summary of Response to the consultation on a new independent body for animal health](#)* June 2009 [Accessed 11 March 2011]

### 3. What is the current policy on cost sharing?

#### EU policy on cost sharing

The **EU Community Animal Health Strategy 2007-2013** was launched in September 2007<sup>12</sup> and in 2008 the European Commission set out an Action Plan for its implementation.<sup>13</sup> The Action Plan seeks to implement a **new EU Animal Health Law** and to **adopt a legislative proposal by 2012** that would allow the development of a harmonised system of **cost sharing across all Member States**.<sup>14</sup> This may include a **European public agricultural insurance scheme**.<sup>15</sup>

#### UK Government policy on cost sharing

The **Animal Health and Welfare Strategy for Great Britain** was released in June 2004 and set out a framework for responsibility and cost sharing on animal health issues.<sup>16</sup> The Welsh Government set up the Animal Health and Welfare Strategy Steering Group in October 2004 to oversee the implementation of the Strategy in Wales.<sup>17</sup>

In January 2010 the previous UK Government published a **Draft Animal Health Bill** which set out the elements of a Responsibility Sharing disease control regime for England. Some elements of this would also have affected Wales.<sup>18</sup> Following the 2010 General Election the **UK Coalition Government withdrew the Draft Bill**<sup>19</sup> but the idea of cost sharing was not abandoned completely. The UK Government's Programme for Government states that it will **'investigate ways to share with livestock keepers the responsibility for preparing for and dealing with outbreaks of disease'**.<sup>20</sup> In December 2010, the England Advisory Group on Responsibility and Cost Sharing, set up by the previous UK Government, provided recommendations for cost sharing in England. The Advisory Group for England concluded that it is highly complex to determine the basis upon which costs should be shared and therefore the UK Government should first seek to establish partnership working between the public and private sectors to discuss issues in relation to responsibility and cost sharing and secondly establish clear responsibility sharing arrangements before determining the details of any cost sharing programme.

In response to this recommendation the UK Agriculture Minister announced in April 2011

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<sup>12</sup> European Commission, *[A new Animal Health Strategy for the European Union \(2007-2013\) where "Prevention is better than cure"](#)*, 2007 [Accessed 9 March 2011]

<sup>13</sup> [COM\(2008\)545](#), 10.9.2008 [Accessed 9 March 2011]

<sup>14</sup> Directorate General for Health and Consumers, *[Animal Health and Standing Committees DG SANCO Unit D1 Activity Report 2009](#)*, 2010 [Accessed 10 March 2011]

<sup>15</sup> England Advisory Group on Responsibility and Cost Sharing, *[Final Report](#)*, December 2010 [Accessed 10 March 2011]

<sup>16</sup> Defra, *[Animal Health and Welfare Strategy for Great Britain](#)*, 2004 [Accessed 9 March 2011]

<sup>17</sup> Welsh Assembly Government, *[Animal Health and Welfare Strategy Steering Group](#)*, Webpage [Accessed 15 March 2011]

<sup>18</sup> Welsh Government, Elin Jones (the Minister for Rural Affairs), *[Publication of the Draft Animal Health Bill](#)*, (Written Statement) 1 February 2010 [Accessed 10 March 2011]

<sup>19</sup> England Advisory Group on Responsibility and Cost Sharing, *[Final Report](#)*, December 2010 [Accessed 10 March 2011]

<sup>20</sup> UK Government, *[Coalition: our programme for government](#)*, Website [Accessed 9 March 2011]

that he would be establishing an Animal Health and Welfare Board for England which will bring together experts from inside and outside of the UK Government to set and discuss strategic policy priorities for animal health, determine surveillance and research priorities and consider what if any charging mechanisms should be introduced.<sup>21</sup>

### Animal health funding in Wales

Animal health responsibilities have been fully devolved since 2006 but prior to 2011 the majority of animal health spending in Wales was **funded through Defra**.<sup>22</sup> The Welsh Government was still able to choose to deal with animal health issues at a devolved level if appropriate e.g. bovine TB control.<sup>23</sup> The amount of funding Wales received from Defra for animal health was **5.8 per cent of spending on animal health in England** as the population of Wales is equivalent to 5.8 per cent the population of England. Therefore, as expenditure on animal health in England changed, so did the funding available to Wales.<sup>24</sup>

On the 14<sup>th</sup> of March 2011, Elin Jones, the former Minister for Rural Affairs, announced that the **animal health budget is now fully devolved and that Wales will receive around 14 per cent of the GB budget for animal health from the 2011-2012 financial year**. This is equivalent to 20 per cent of the English animal health budget for 2011-2012 and the Minister has stated it is 'more reflective of the needs and the work involved' than the 5.8 per cent received in previous years. Over the four years of the Comprehensive Spending Review, Wales will receive £77.71m for animal health.<sup>25</sup>

### Welsh Government policy on cost sharing

Prior to the devolution of the animal health budget there was concern that cost sharing policy in England could also impact on Wales. The Welsh Government issued two consultations on cost sharing in 2006 and 2008 in response to developments in England. The latter was issued in response to a 2007 Defra consultation on responsibility and cost sharing in England. In the 2008 Welsh Government consultation document, Elin Jones, the former Minister for Rural Affairs stated:

'The proposals within DEFRA's consultation have the potential to impact widely on the livestock industry in Wales.

Whilst I continue to have **grave reservations** about this being the right time to press ahead with this agenda given that the industry in Wales remains under considerable financial strain following several disease emergencies, I recognise that **Wales cannot stand apart from the decisions being taken by DEFRA**. I have, therefore, taken the decision to consult in Wales.

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<sup>21</sup> Defra, News Release, [\*Sharing Responsibility for animal health and welfare policy\*](#), 26 April 2011 [Accessed 7 June 2011]

<sup>22</sup> Welsh Government, Elin Jones (the Minister for Rural Affairs), [\*Devolution of Animal Health and Welfare Budgets from DEFRA\*](#), (Written Statement) 14 March 2011

<sup>23</sup> Welsh Assembly Government, [\*Responsibility and Cost Sharing for Animal Health and Welfare in Wales\*](#), March 2008 [Accessed 9 March 2011]

<sup>24</sup> Independent Commission on Funding & Finance for Wales, [\*Funding devolved government in Wales: Barnett and beyond\*](#), July 2009 [Accessed 16 March 2011]

<sup>25</sup> Welsh Government, Elin Jones (the Minister for Rural Affairs), [\*Devolution of Animal Health and Welfare Budgets from DEFRA\*](#), (Written Statement) 14 March 2011

It is important that we **develop a coherent Wales view** on how responsibility and cost sharing is best taken forward. We must work in partnership to **ensure that Welsh interests are represented** and play a full part in the development of proposals; ensuring that issues important to Wales such as flexibility to adopt an approach that suits Wales and the affordability of proposals are taken into account.<sup>26</sup>

The Welsh Government indicated in the consultation that while they were **not necessarily opposed to the introduction of a levy** they were **opposed to the creation of a new non-governmental organisation** to deal with UK-wide animal health issues. The consultation also stated that while the Government believed there was a need for a GB-wide approach to exotic disease control e.g. foot and mouth and avian influenza, endemic disease control and sharing of cost and responsibility for these types of diseases should be dealt with by the individual administrations.<sup>27</sup>

A number of respondents to the 2008 consultation noted that it was difficult to take a definite view on the policy without having further information on the potential revenue generating mechanisms, the range of animals to be included in cost sharing schemes, the European Commission's position on cost sharing and detailed budgetary and financial information on current costs/funding for disease control.<sup>28</sup> Some of this information is still outstanding. Concerns were also raised about the affordability of cost sharing and its impact on the sustainability and profitability of the Welsh farming industry. Some respondents stated that **the industry already cost share** e.g. through treatment for disease and vaccination, and through losses incurred due to compulsory movement restrictions (6 day standstill), bovine TB restrictions and control measures during major disease outbreaks.<sup>29</sup>

The Welsh Government provided the Members' Research Service with the following information in February 2010:

'It is essential to consider fully the development of an appropriate Responsibility and Cost Sharing policy for Wales, **taking account of the principles of affordability and flexibility to deal with regional issues**...It is sensible that the **European position is properly considered** as part of developing the right policy for Wales.

No decisions have yet been taken on Responsibility and Cost Sharing in Wales. Consultation with industry stakeholders will continue to form a vital part of the policy making process.'

Since then, as mentioned above, the budget for animal health and welfare has been devolved. In the statement issued at the time of the announcement on the devolution of the animal health budget the former Minister for Rural Affairs, Elin Jones, stated, that this would afford the Welsh Government 'the powers and the budget to tackle animal health priorities in Wales'.<sup>30</sup> However, the Minister also stated that the Welsh Government would

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<sup>26</sup> *ibid*

<sup>27</sup> Welsh Government, Elin Jones (the Minister for Rural Affairs), [\*Devolution of Animal Health and Welfare Budgets from DEFRA\*](#), (Written Statement) 14 March 2011

<sup>28</sup> Welsh Assembly Government, [\*Summary of Responses to the Consultation on Responsibility and Cost Sharing for Animal Health and Welfare in Wales\*](#), 2009 [Accessed 11 March 2011]

<sup>29</sup> *ibid*

<sup>30</sup> Welsh Government, Elin Jones (the Minister for Rural Affairs), [\*Devolution of Animal Health and Welfare Budgets from DEFRA\*](#), (Written Statement) 14 March 2011

continue to work closely with administrations across the UK to tackle animal health issues such as exotic disease outbreaks. In addition Defra will continue to fund activities and services that the administrations agreed should be provided at a UK level such as Animal Health and the Veterinary Laboratories Agency.<sup>31,32</sup> While cost sharing was not explicitly mentioned in the statement by the former Minister for Rural Affairs, reference was made in the statement to the Government working with industry on animal health issues:

'Our ability to effectively manage exotic animal disease outbreaks anywhere across the UK depends on the **coordinated action of Governments and the public sector, the agencies and the industry**...Devolving these budgets will support and add value to the work already being undertaken as well as **opening up new opportunities for engaging and working with industry to develop more Welsh specific policies**.'<sup>33</sup>

The Welsh Government may now decide on the best course of action for cost sharing of endemic diseases in Wales, independently of other administrations, while exotic disease outbreaks will continue to be dealt with at a UK level. However, developments in cost sharing policy at a European level will continue to impact on Wales.

## Further information

For further information on aspects of Animal Health Responsibility and Cost Sharing, please contact **Nia Seaton** ([Nia.Seaton@wales.gov.uk](mailto:Nia.Seaton@wales.gov.uk)), Members' Research Service.

For further information on the topics below, double click on the links.

- Welsh Government [Responsibility and Cost Sharing website](#)
- Welsh Government [2006](#) and [2008](#) consultations on Responsibility and Cost Sharing
- EU Animal Health Strategy Action Plan [progress](#)

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<sup>31</sup> ibid

<sup>32</sup> Scottish Government Press Release, [Animal Health Budget Devolved](#), 14 March 2011 [Accessed 15 March 2011]

<sup>33</sup> Welsh Government, Elin Jones (the Minister for Rural Affairs), [Devolution of Animal Health and Welfare Budgets from DEFRA](#), (Written Statement) 14 March 2011