

Summary

The Department provided the Advisory Group with breakdowns of actual net expenditure incurred by the Department and its key delivery agencies for animal health during 2009-10. The Department supplied this information to allow the Advisory Group to understand the scale and complexity of animal health expenditure as a first step to inform any subsequent decisions on sharing responsibility and costs.

To be a sound basis for decision making, financial information needs to be robust, with any constraints or limitations relating to the data transparent and clearly understood. Key good practice principles are the consistency, completeness, reliability and relevance of the figures. Measuring the current level of expenditure does not, however, show whether money is being spent well; nor is it necessarily a good indication of likely future costs. A more sophisticated analysis depends on evidence that expenditure is value for money, and some understanding of what causes costs to vary.

The Department's financial recording systems were not designed to measure the full costs 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. 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. In that context, the cost data the Department provided 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 arrangement that may be proposed. Although some costs are already measured in support of existing charging regimes operated, for example, by the Veterinary Laboratories Agency, for the Department to measure routinely the full cost of all activities would currently require substantial manual work. The Department is confident that it could generate sufficiently precise data to support a cost sharing regime, although the amount of manual work required would depend on the nature of any cost sharing regime which might be proposed. Manual calculations of costs would also need to be routinely validated to ensure they remain robust.

To be sustainable in the longer term, significant changes to financial recording systems would need to be introduced to routinely produce the necessary information to support any cost sharing arrangement that may be proposed. The systems would need to be designed, tested and then implemented to ensure they were fit for purpose, which would introduce a significant lead time before they could be operational.

Key areas for attention

It is for the Advisory Group, drawing on all the evidence they have taken, to make specific recommendations for consideration by the Secretary of State for Environment, Food and Rural Affairs. On the basis of our own work, we have identified the following key issues the Advisory Group may wish to consider in framing their conclusions:

Consistency, completeness, reliability and relevance of the data

- **It is good practice to set out clearly the scope and boundaries of financial data.** The data presented to the Advisory Group cover expenditure by the Department and key delivery bodies responsible for animal health. 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.** Compiling indicative cost data for the Advisory Group has required substantial manual analysis, and the Department recognises that the figures are not precise. In particular, much of the animal health activity carried out by the Department and its agencies impacts across Great Britain, and current systems do not apportion cost accurately to England, Wales and Scotland. Neither are systems in place to record staff time accurately enough to apportion cost to managing risks in specific industry sectors, or to allocate overhead costs in a precise way. The Advisory Group may wish to consider what the data requirements of alternative cost sharing models may be. 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.** Data provided to the Advisory Group represent outturn expenditure for 2009-10, plus trend data for Bovine Tuberculosis and Transmissible Spongiform Encephalopathies (TSEs), which were the two areas of greatest spend in 2009-10. Our analysis of this and other Departmental data shows that some categories of expenditure appear to have varied substantially over the last five years. 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 Department captures financial information in line with internal management structures. The data do not measure the full cost of addressing specific disease risks, particularly when several agencies are working together. To make informed decisions about resourcing and prioritisation of animal health activities, the Advisory Group and the Department need a clear overview of the portfolio of activities and the likely costs of each activity, matched to the scale and nature of risks activities aim to address. The Department has begun to make use of a prioritisation tool to help make well-informed animal health policy decisions, and this information could usefully be used more consistently to inform resourcing decisions. 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.** We found that scrutiny of budgets and evidence of value for money challenge for ongoing projects was less well evidenced than for new project proposals. The Department may wish to consider, drawing also on recommendations previously made by the National Audit Office, what more it can do to strengthen challenge and in-year monitoring of budgets.