

## **Cabinet Secretary for Rural Affairs and Islands**

### **Scottish Veterinary Service (SVS): End of Programme, Communications and Reactive Lines**

#### **Priority and Purpose**

1. **ROUTINE.** To update you on communications plans and reactive lines following the closure of the SVS Programme

#### **Recommendation**

2. It is recommended that you:
  - Note the communications plan below; and
  - Note the reactive lines

#### **Context and Issues**

3. The SVS Programme conducted scoping work on the creation of an SVS that supported the case for the creation of a Scottish Service that would deliver quality improvements and would be financially sustainable. It was impossible, however, to secure funding for the Programme and you agreed that it would no longer go ahead.
4. On the 14 May you informed the Rural Affairs and Islands Committee, by letter to the Convener, of your decision. The letter was published in the Scottish Parliament's website on the 16 May.

#### **Options Considered and Advice**

[redacted Regulation 10(4)(e)]

#### **Contribution to the Government's Three Missions**

5. N/A

#### **Delivery**

6. As the end of the SVS Programme means continuation of the current delivery model and SG working with APHA and LAs to secure improvements, there will be no major delivery implications. Once this is in the public domain officials will continue to work with APHA and LAs to identify ways of improving service delivery.

#### **Verity House Agreement Implications**

[redacted Regulation 10(4)(e)]

#### **Financial Considerations**

7. None

**Legal Considerations**

8. None

**New Deal for Business Implications**

9. None

**Sensitivities**

10. None

**Quality Assurance**

11. This submission has been approved by Sheila Voas CVO

**Conclusion and next Steps**

12. You are advised to:
- Note the communications plan above; and
  - Note the reactive lines in Paragraph 8

**[redacted Regulation 11(2)]**

ARE, AHWD

[redacted Regulation 11(2)]

<b>Cabinet Secretaries and Ministers Copy List</b>	<b>For Action</b>	<b>For Information Portfolio interest</b>	<b>For Information Constituency interest</b>	<b>For Information General awareness</b>
Minister for Agriculture and Connectivity		X		
Minister for Public Health and Women's Health		X		

<b>Officials Copy List</b>
Permanent Secretary DG Net Zero DG Health and Social Care Director ARE [redacted Regulation 11(2)] Sheila Voas, CVO [redacted Regulation 11(2)] SpAds Administration

Cabinet Secretary for Rural Affairs, Land Reform and Islands

**Scottish Veterinary service – Recommendation For Preferred Delivery Model and Next Steps**

**Priority and Purpose**

1. Routine

**Recommendation**

2. [redacted Regulation 10(4)(e)]

**Background and Progress to date**

3. A Programme has been put in place with the objective of establishing a Scottish Veterinary Service by the 1 April 2025
4. My submissions of the 2 December 2022 and 27 February 2023 provided you with a progress update and a shortlist of options that the Programme would explore in detail.
5. [redacted Regulation 10(4)(e)]
6. The Programme has ruled out further assessment at this stage of the SVS being responsible for aquatic animal health controls currently delivered by Marine Scotland. This is because this function, unlike all the other ones, is already delivered by the Scottish Government. Once the SVS has progressed there will be opportunities for better collaboration between terrestrial and aquatic animal health.
7. [redacted Regulation 10(4)(e)]
8. [redacted Regulation 10(4)(e)]

**Context and Issues**

9. [redacted Regulation 10(4)(e)]
10. [redacted Regulation 10(4)(e)]
11. [redacted Regulation 10(4)(e)]
12. [redacted Regulation 10(4)(e)]

13. A successful Scottish Veterinary Service would deliver quality, efficiency and resilience benefits, and better value for money than the current arrangements. The investment objectives for the creation of an SVS are as follows:

- **Taking Control:** To improve service quality by transferring to the Scottish Administration the responsibility for animal health and welfare controls from the Animal and Plant Health Agency (from the start) and (potentially at a later stage) of Local Authorities and Marine Scotland, aligning resources, priorities and organisational culture to Ministerial priorities.
- **Consolidating services:** To bring together the delivery of animal health and welfare, and veterinary-led food safety controls, increasing quality and resilience, and reducing duplication.
- **Future-proofing:** To create a core service that may be expanded with additional functions at a later stage while minimising further costs, delivering efficiencies and progressively increasing returns on the initial investment, and be more responsive to current and future challenges.

## Assessment of Options

[redacted Regulation 10(4)(e)]

## Next steps

65. The proposed next steps are:

- to progress to the next phase of the programme to establish an SVS, [redacted Regulation 10(4)(e)]
- [redacted Regulation 10(4)(e)]
- To start making preparations for the additional programme resources required in this phase
- To start engaging with APHA (as all options taken forward are identical in respect of the Agency) on the transfer of relevant functions to the SVS, and the continuation of retained services
- To continue working on the IT solutions, including refining the costs
- In due course, to provide advice again on progress to the next step, before committing to considerable investment and giving notice to APHA.

66. At this point no irreversible decision is being made, and there will be further checkpoints before delivery models are final, or significant expenditure is committed.

67. [redacted Regulation 10(4)(e)]

68. [redacted Regulation 10(4)(e)]

69. [redacted Regulation 10(4)(e)]

## Financial and Legal Considerations

70. The proposed overall cost of the programme is £12.9 million over three years (see table 2 below).

71. However, progress to the next phase will only require the £1.75 million in Resource planned in year 2023/24, with the final decision on the £7.7 million Capital and the remaining Resource being taken after the Business Case has been refined and approved, likely after consulting the Executive Team. You will be advised in due course.

72. Based upon a material reduction in payment of core costs to APHA it is expected that on a like for like basis the running costs of an SVS over its first 10 years (starting in 2025/25) would be lower than the cost of doing nothing (see table 1). Lower operational costs are due primarily to Defra's central and corporate cost (particularly IT and Estates) being significantly higher than their equivalent in Scotland.

Table 1: Comparison of SVS running costs vs Do Nothing (£ millions)

	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33	FY 33/34	FY 34/35	Total Expenditure (£millions)
Do Nothing	£18,1	£18,8	£19,6	£20,4	£21,2	£22,1	£23,0	£23,9	£24,8	£25,8	£26,9	£27,9	£289,3
SVS Running Costs	£18,1	£20,1	£17,8	£18,0	£18,3	£18,6	£19,3	£20,1	£20,9	£21,7	£22,6	£23,5	£239,0

Table 2: SVS Programme Costs

FY	2023-24	2024-25	2025-26	Total
Resource	£1,747,000.00	£2,325,000.00	£1,076,000.00	£5,148,000.00
Capital	£4,520,000.00	£2,988,000.00	£270,000.00	£7,778,000.00
<b>Total</b>	<b>£6,267,000.00</b>	<b>£5,313,000.00</b>	<b>£1,346,000.00</b>	<b>£12,926,000.00</b>

Table 3: Overall comparison of SVS costs vs Do Nothing (£ millions)

	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33	FY 33/34	FY 34/35	Total Expenditure (£millions)
Do Nothing	£18,1	£18,8	£19,6	£20,4	£21,2	£22,1	£23,0	£23,9	£24,8	£25,8	£26,9	£27,9	£289,3
Total SVS Costs	£24,4	£25,4	£19,1	£18,0	£18,3	£18,6	£19,3	£20,1	£20,9	£21,7	£22,6	£23,5	£251,9
Difference over 10 years													-£37,4

73. Fundamentally this shows that an SVS can deliver better value for money utilising the existing operating budget and that there is a reasonable margin of safety to absorb unexpected costs.

74. The final financial position is yet to be confirmed. Additional operating may be identified, and IT costs in particular may differ significantly from those modelled, but the Programme is satisfied that sufficient validation has taken place at this stage.

75. The cost of IT systems represents a significant financial risk to the Programme. The actual cost of a bespoke system will not be known until the market has been tested, and there is no guarantee that in the current conditions it could be delivered for a cost similar to what Northern Ireland has paid.
76. Some staff costs may increase due to some of the staff moving from UKG to a higher SG pay band. The actual impact will only be known once job descriptions have been developed and graded.
77. The Scottish Government will continue to procure certain services from APHA, and efforts have been made to model future costs as accurately as possible, but uncertainty will remain until detailed negotiations with the Agency take place.
78. Opportunities also must be noted. This Financial Case has been developed on the assumption that a full suite of new systems must be commissioned. The ability to secure access to existing systems, even if they have to be adapted, could potentially reduce the costs.
79. [redacted Regulation 10(4)(e)] Other opportunities may be identified across the Scottish Administration, particularly rural and agricultural programmes with similar customer bases (farmers).
80. In addition to the financial viability of the Service, there is a question about affordability, as a significant initial investment is required upfront before any benefits are realised over a longer period of time.

81. [redacted Regulation 10(4)(e)]

### **Sensitivities**

82. [redacted Regulation 10(4)(e)]

### **Bute House Agreement Implications**

83. There are no Bute House Agreement Implications

### **Quality Assurance**

84. This Submission has been approved by Sheila Voas CVO

### **Conclusions and next Steps**

85. [redacted Regulation 10(4)(e)]

### **[redacted Regulation 11(2)]**

ARE, Animal Health and Welfare Division

[redacted Regulation 11(2)]

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Minister for Energy and the Environment		X		
Minister for Public Health and Women's Health		X		
Minister for Local Authority Empowerment and Planning		X		

<b>Officials Copy List</b>
Permanent Secretary DG Net Zero DG Health and Social Care Director ARE Director Marine [redacted Regulation 11(2)] Sheila Voas, CVO [redacted Regulation 11(2)]