



National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 797
SESSION 2012-13

12 DECEMBER 2012

Department for Environment,
Food and Rural Affairs

Streamlining farm oversight

Key facts

9

central government
bodies visit farms, and
all local authorities

£47m

estimated annual cost of
front-line oversight activity for
the three main oversight bodies
(£19 million on compliance
checks, £28 million on
disease surveillance)

£5,500

average annual cost per
farm in England of complying
with the Department's
regulations

114,000

estimated minimum number of farm visits made by government
bodies in 2011-12. Of these:

61,370 were to test or investigate for disease

35,120 were planned inspections to check for compliance

12,460 were at the request of the farmer to provide advice

5,050 were to investigate a complaint

38 per cent

of current planned inspections are prescribed by European legislation

84 per cent

of farmers who responded to our survey believe oversight bodies
should coordinate their activity more

Summary

1 Farms are complex working environments, balancing food production with protecting the environment and the health and welfare of animals and wildlife. Regulation is crucial to help prevent outbreaks of animal disease or incidents of pollution. The 2007 foot and mouth disease outbreak cost the government an estimated £47 million and the livestock industry an estimated £100 million.¹ The cumulative cost of water pollution in England and Wales has been estimated at up to £1.3 billion per annum.²

2 Farm inspections provide assurance that farmers comply with regulations and prevent animal disease and environmental pollution. They are also needed to check farmers comply with common agricultural policy requirements in order to receive support payments from the European Union, and provide assurances to enable them to trade overseas.

3 The food industry accounts for some 8 per cent of the UK economy, employing 534,000 people. It is one of the UK's largest manufacturing sectors and export growth has continued despite the downturn. If English farmers are not to be disadvantaged in supplying the food sector, regulatory checks and inspections must be proportionate and carried out with minimum burden on the farmer. Inspections need to provide the necessary assurance that risks are contained, while being undertaken at the lowest appropriate cost to the taxpayer.

4 The cost of regulation represents around one-tenth of an average farm's net profit.³ For many years farmers have called for a more efficient and less burdensome approach to regulation, which would help to reduce this cost. In July 2010, to provide new impetus for change, the government established an independent Farming Regulation Task Force, which was asked to look through the eyes of a farmer or food processing business in advising on reform.

5 The Task Force reported in May 2011, concluding that 'the Department, its agencies and delivery partners need to establish an entirely new approach to and culture of regulation; otherwise the frustration that we, farmers and food-processing businesses have felt will continue'.

¹ Dr Iain Anderson's review *2007 Foot and Mouth Disease Review: A Review and Lessons Learned*, HC 312, The Stationery Office, March 2008. Available at: webarchive.nationalarchives.gov.uk/20100304133657/http://archive.cabinetoffice.gov.uk/fmdreview/documents/fmd_2007_review_full.pdf

² Comptroller and Auditor General, *Environment Agency: Tackling diffuse water pollution in England*, Session 2010-11, HC 188, National Audit Office, July 2010. Available at: www.nao.org.uk/publications/1011/water_quality.aspx

³ It is estimated that the current cost to the farming sector is between £582 million and £588 million annually, which equates to between £5,543 and £5,600 per farm. To place this in context, the average farm business net profit in England was £57,300.

6 Among other things it called for better cooperation and a tighter, risk-based approach to farm inspection that recognised where farmers have taken responsibility for good environmental practice and animal husbandry.

7 The Department for Environment, Food and Rural Affairs (the Department) recognises that the way farm oversight activity is undertaken can be improved and requested our examination of this topic. Our report considers the progress government is making in reducing the burden on farmers and streamlining farm oversight. In particular we report on how well government:

- understands the scale, nature and proportionality of current inspection activity;
- targets it appropriately; and
- coordinates farm visits.

8 We do not cover checks on the passage of food to the plate, such as at markets or processing plants. Neither do we address the much wider issue of reducing the degree of farming regulation or the overall trade-off between the costs and benefits of regulation. We cover England only.

Accountability

9 The Department implements and monitors farming regulation policy, and oversees seven of the nine central government bodies which carry out checks on farms. The key bodies are the Rural Payments Agency, the Animal Health and Veterinary Laboratories Agency and the Environment Agency, across whom 330 full-time equivalent staff undertake more than half of all planned farm visits. In 2011-12, we estimate that the cost of their front-line oversight activity was £47 million. This figure comprises £19 million in relation to checks for compliance and £28 million in relation to disease surveillance activity undertaken by the Animal Health and Veterinary Laboratories Agency.

10 Other bodies with farm oversight responsibilities are the Food Standards Agency and the Health and Safety Executive. Local authorities also visit farms to enforce those aspects of animal health and welfare and food hygiene legislation they are responsible for.

Key findings

Overall approach

11 **The Department has made some progress in following up relevant Task Force recommendations. It should evaluate how Scotland has reduced the number of farm visits and consider whether a similar approach would be applicable in England.** The Department has relied on a small implementation team, which has initiated a number of projects to improve intelligence sharing, simplify environmental guidance and explore data protection issues. However, the Department has not taken a sufficiently strategic approach to identify opportunities to streamline activity. It contrasts with the approach and progress made in Scotland, where eight

public bodies supervising farm and land management oversight have come together in a public partnership and collected data to identify where redundant activity can be reduced. This has helped to cut one in six farm visits (see paragraphs 2.3 and 2.4).

Proportionality

12 The Department has not collected the data it needs to understand the scale, nature and effectiveness of farm oversight activity. It does not routinely collect or analyse robust data on the overall number and pattern of farm visits, nor levels of compliance across its regulatory regimes. We had to go to each separate oversight body to access this information and within some bodies the information was not held in one place. Bodies measure activity and categorise visits inconsistently. Without robust consistent information the Department will find it difficult to understand the scale and proportionality of activity, identify opportunities to streamline it, or track trends (see paragraphs 3.2 and 3.3).

13 We estimate that during 2011-12 government bodies made at least 114,000 visits to English farms. A more definitive estimate is not possible because not all local authorities report their activity; nor can we say how this figure compares with previous years. To place the figure into context, as at June 2011, there were some 105,000 commercial farms in England.⁴ The Animal Health and Veterinary Laboratories Agency is required to also undertake disease investigations and surveillance upon smaller holdings, such as hobby farms. It has 128,000 registered premises with livestock which it is required to regulate. Fifty-four per cent of recorded visits were to monitor or test for animal disease. Thirty-one per cent were planned inspections to test whether regulations were being followed. Eleven per cent were in response to a farmer's request for advice on schemes, best practice or compliance with regulations. The remainder (4 per cent) were to follow up intelligence that regulations are potentially being breached (see paragraph 3.5).

14 The Department does not systematically bring together data on levels of non-compliance or use it to evaluate associated risks. The Department does not routinely view all its data from across the 35,120 compliance inspections to evaluate rates of non-compliance, identify common problems or risks in farming practice, identify trends, or prioritise mitigation such as improved guidance. Systematic evaluation would enable the Department to prioritise the nature and approach of inspection activity across its oversight bodies (see paragraph 3.9).

15 The Department has not evaluated the relationship between the level of oversight activity and compliance rates. Data collected by the Environment Agency shows that the frequency of some inspections can be reduced while achieving increased levels of compliance. This shows the Department needs to better understand the relationship between levels of compliance and levels of inspection, and different approaches to achieving regulatory outcomes (see paragraph 3.15).

⁴ The 105,000 commercial farms cover holdings that have more than five hectares of agricultural land, one hectare of orchards, 0.5 hectares of vegetables or 0.1 hectares of protected crops, or more than 10 cows, 50 pigs, 20 sheep, 20 goats or 1,000 poultry.

Targeting inspections

16 Oversight bodies are using at least 25 separate risk models to target farms for inspection. Weightings given to different criteria vary and are difficult to understand for the farmer. In some models a high level of confidence in the competence of the farmer cannot outweigh inherent hazard (for example because of the size of the farm) and reduce the frequency of inspection. Oversight bodies do not seek to identify potential areas of commonality in risk assessment, which could help to improve consistency and transparency in similar situations⁵ (see paragraph 4.2).

17 The Department recognises the benefits of wider ‘earned recognition’ of farmer’s commitment to good agricultural practice and has commissioned research to gather robust evidence to support its wider application. Approximately forty per cent of farmers receive regular private inspections to qualify for membership of assurance schemes.⁶ We found that government oversight bodies do not consistently factor in membership when assessing risk. Some consider it to reduce inspection frequency but by different levels. Only one body had allowed an assurance scheme visit to remove the need for a statutory visit for one set of regulations (see paragraphs 4.5 to 4.7).

18 Some 38 per cent of planned inspections must be undertaken in accordance with European legislation. For example, directives require 1 per cent of farmers receiving common agricultural policy payments to be checked each year and a proportion of these farmers to be selected randomly. Other inspection regimes are also influenced by European legislation, but the number is not prescribed. This gives UK authorities greater discretion as to the frequency and use of ‘earned recognition’ in targeting. Most of the visits to monitor and test livestock are also a requirement of disease control programmes, which have to be approved by the European Commission. The common agricultural policy is undergoing reforms that are expected to change the regulatory requirements to which farmers must comply. While the Department cannot reduce the number of specific inspections required by Europe without the possibility of penalties, it could ensure these inspections provide as wide assurance as possible to prevent the need for other visits and duplication for the farmer (see paragraphs 3.7, 3.8, 4.4 and 4.6).

Duplication of effort

19 Current arrangements result in potential duplication of effort, especially in checking the 63 per cent of farmers who keep livestock. Each oversight body works individually to provide assurance over individual regulatory regimes. A dairy farmer, for instance, could receive a separate visit from eight different government bodies to check for compliance. Some bodies check the same areas or collect duplicate information, but for different purposes. For example, inspectors from local authorities and the Rural Payments Agency will check movement records and ear tags. Assurance scheme inspectors may also carry out the same activity. We found similar overlap of checks for animal feed regulations (see paragraphs 5.2, 5.9 and 5.10).

⁵ The ability of the Rural Payments Agency to change its risk models is restricted by European requirements.

⁶ These schemes are voluntary and their inspectors visit farms to check that they comply with assurance scheme conditions.

Lack of coordination and information sharing

20 Opportunities for oversight bodies to coordinate activity are not being maximised. For example, the Animal Health and Veterinary Laboratories Agency has an agreement with private vets to undertake bovine tuberculosis tests. It encourages vets to undertake these at the same time as cattle identification visits made by the Rural Payments Agency. However, joint visits were only carried out in 28 per cent of potential cases in 2011-12, equivalent to 199 joint inspections out of a possible 703. Some local authorities have taken steps to improve coordination and now contact other oversight bodies before determining whether to inspect. The Department wants to encourage the spread of regional forums like in the east of England, where oversight bodies come together with farming representatives to help coordinate activity. However, some 84 per cent of farmers who responded to our survey considered more could be done to coordinate activities. Twelve per cent told us they had received more than one visit from different bodies within the space of a month (see paragraph 5.4).

21 Oversight bodies collect the same information separately and there is limited sharing of intelligence. Eighty-three per cent of farmers responding to our survey agreed they regularly have to supply the same information to different inspectors, such as farm type and size. Bodies do not hold or share consistent information that could reduce duplication of effort and inform risk assessment. This could include dates of past and programmed inspections and their outcomes, and up-to-date certified assurance scheme membership. The Department's own pilot project into data sharing has concluded that in most instances it will be legally possible to share data. It is likely that statutory bodies would not have to gain consent to share information, as long as the information is being used to support its statutory functions and providing the information is used in a way that could be reasonably expected by the individual (see paragraphs 5.10, 5.16 and 5.17).

Cost-effectiveness

22 The Department does not have data to measure cost-efficiency or achieve structured cost reduction in farm oversight activity. Such data will be particularly important given the steps that it and its bodies have had to take to reduce costs. We found it difficult to collect the relevant information that the Department needs to challenge oversight bodies' efficiency and costs. Data on the number of visits undertaken and the hourly rates of inspectors shows considerable variation. With front-line staff we identified a number of areas where the efficiency of processes could be improved. The Department has allowed individual agencies to transfer responsibility for undertaking some farm inspections without an informed and cross-government understanding of how to cost-effectively collectively provide an on-farm presence (see paragraphs 2.5, 3.2, 4.10, 4.11 and 5.7).

Conclusion on value for money

23 Protecting the health and welfare of farm animals, food safety, preventing pollution and protecting the rural landscape and wildlife all depend on farmers complying with regulations. The fragmented nature of current arrangements for farm oversight does not optimise value for money to the taxpayer and continues to burden compliant farmers unnecessarily. Oversight bodies miss opportunities to coordinate activity, share intelligence and take account of most farmers' commitment to good practice, which would allow them to reduce any redundant activity and unnecessary cost.

24 The Department has made some progress in exploring how to streamline farm oversight in response to the Task Force recommendations, but the Department's current approach in itself is unlikely to deliver a fundamental change and farmer focus. The Department needs better information on activity, cost, compliance and risk to identify opportunities for streamlining and stronger oversight and coordination of its arm's-length bodies and delivery partners to drive change.

Recommendations

25 The Department has made some progress in exploring opportunities to streamline farm oversight. It faces the challenge over the next few years of implementing common agricultural policy reform in the UK, which may involve changes to the obligations on farmers and the nature of the checks Europe will require. So that it is well placed to respond to these challenges while meeting sector expectations and the commitments it has given to reduce the regulatory burden, and to ensure better value for money and effective control of risks, it needs to do the following:

- a** Review arrangements for leading and coordinating farm oversight so they provide greater direction, focus and ownership. For substantive change to be delivered, the Department needs to achieve greater traction with oversight bodies both at national and local level. The Department should:
 - make sure all oversight bodies and delivery partners come together at a sufficiently senior level, reviewing the appropriateness of the Scottish partnership approach;
 - ensure responsibility and accountability for delivery of improvement is clear;
 - work with the farming industry and relevant organisations to facilitate the spread of best practice found in the East of England Farm Inspection Forum to all regions. This should focus on achieving closer links between inspectors from different agencies, local authorities and the farming community, and improving information and intelligence sharing; and
 - evaluate the wider adoption of different approaches to checking for compliance and alternative methods to physical inspections.

- b** Develop the cross-government information we have collected for this report. Information on current oversight activity and compliance levels is dispersed. It should be brought together and analysed to:
- compare the levels and incidence of current oversight activity with levels of compliance across all farming practice;
 - use this information to prioritise engagement with the farming sector to improve performance where compliance is lowest; and
 - compare level of inspection effort against levels of compliance and risk to assess proportionality of effort and target resources where most needed.
- c** Build upon existing work to achieve stronger coordination and improved intelligence sharing and collection. Bodies should identify the farm information they hold, what is of use to others and what can be shared to enable resources to be better targeted, redundant activity to be reduced and the burden upon compliant farmers thereby reduced. In doing so, the Department should provide clearer guidance on legal issues, ensuring that this is disseminated at all levels within its bodies. The Department should consider how it can bring together all sources of intelligence, including that collected during advisory and surveillance visits and from private veterinarians, to provide a more comprehensive and informed assessment of each farm and the risks it presents.
- d** In the longer-term use the opportunities presented by formal reviews of its arm's-length bodies to rationalise and merge farm oversight activity. We have found examples where inspectors from one body have taken on the role of another at relatively little cost. Through reviews, further opportunities to do this should be explored to potentially enable more efficient and effective use of resources.