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# The transfer of research- based veterinary services provided to the public sectors

# 1. Introduction and conclusion

## 1.1. Purpose and conclusion

1. This report concerns research-based services provided by the Danish universities to the public sector. The report focuses specifically on the Technical University of Denmark's (DTU) provision of research-based veterinary services to the Ministry of Environment and Food's and the ministry's decision to transfer the task to the University of Copenhagen (UC) and Statens Serum Institut (SSI). The UC and the SSI have made an agreement to perform the task jointly from 2020.

Since 2007, the universities have provided research-based public-sector services to the Danish government based on provisions in the Danish Act on Universities. Research-based services provided to the public sector include research, consultancy, surveillance and preparedness arrangements within specific fields such as veterinary issues, plant production, space research and military studies. According to the University Act, the collaboration between the universities and the departments on research-based services must be contract based. The Ministry of Higher Education and Science has sector responsibility for research-based public services and the ministry has in that capacity been responsible for the development of general guidance on setting up such contracts between government departments and universities.

2. In the collaboration with the public sector, the universities are the suppliers and the relevant departments are the requesters. In the veterinary field, this means that the Ministry of Environment and Food commissions a number of services from the DTU National Veterinary Institute for an annual payment. Deliveries may include analysis of suspicious samples, consultancy on disease controls and prevention, research and surveillance of specific livestock diseases, acting as national reference laboratory and preparedness laboratory in connection with outbreaks of serious contagious diseases in livestock. The terms for the collaboration are laid down in 4-year framework agreements between the individual department and university. The framework agreements are renegotiated and extended annually.

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The SSI is a state-owned business under the Ministry of Health, whose purpose it is to ensure preparedness against infectious diseases and biological threats as well as control of congenital diseases.

3. The Ministry of Environment and Food **tendered the** research-based public-sector services in the veterinary field in 2017, which led to the decision to transfer the task from the DTU to the UC and the SSI. In connection with the tender, the DTU cancelled the building of veterinary laboratory and stable facilities that it had initiated based on the Finance Committee's approval of Legal Document no. 77 25/4 2013. The SSI has initiated the building of new veterinary laboratory facilities in accordance with Confidential Legal Document B that was presented to the Finance Committee on 29 September 2017 by the Ministry of Health, and was approved by the Committee on 23 November 2017.

4. The study was initiated in June 2018 at the request of the Danish Public Accounts Committee who asked us to assess the reasons given for moving the laboratory from the DTU to the UC and the **financial implications** of this decision, and to examine the events surrounding the establishment of veterinary laboratory facilities on the grounds of the DTU/SSI, cf. appendix 1.

5. Research-based public-sector services are provided based on agreements entered between the requesters (the departments) and the suppliers (the universities) that belong under different ministries. For this reason, the terms governing the collaboration needs to be clear, particularly regarding the financial terms for the provision of services and delivery requirements. The collaboration takes place across departments, and therefore the framework terms cannot be determined by one department or one institution alone; each party to the agreement must contribute to clarifying the terms based on their respective areas of responsibility, as the responsibility is shared between them.

6. The purpose of the study is 1. To assess what the Ministry of Higher Education and Science in its capacity as sector authority has done to ensure clear general financial framework terms for the universities' delivery of research-based public-sector services, and 2. To assess what the Ministry of Environment and Food has done as requester of research-based public-sector services in the veterinary field to ensure that the ministry's agreements with the DTU state clear financial and professional requirements for the services delivered in this area. We also assess what the DTU has done to ensure clear agreements on the financial framework terms for the provision of services, including the university's plans for building new veterinary laboratory and stable facilities. Last, we assess whether the Ministry of Environment and Food has implemented the tender in a satisfactory manner, and what the financial implications of the exercise have been. The report answers the following questions.

- Have the Ministry of Higher Education and Science and the Ministry of Environment and Food individually contributed adequately to providing a clear framework for research-based public-sector services in the veterinary field?
- Has the DTU ensured clear agreements on the financial terms for the provision of services, including the plans for new laboratory and stable facilities?
- Has the Ministry of Environment and Food implemented a satisfactory tender procedure?



## Conclusion

Since 2007, delivering research-based public-sector services has involved collaboration between the participating parties across government departments. For that reason, it has been important to have clear frameworks defined for the collaboration, including clear financial terms for the provision of services. It is Rigsrevisionen's assessment that the responsible parties have not individually contributed to determine and clarify these frameworks and terms in a satisfactory manner.

The Ministry of Higher Education and Science, which has the overall responsibility for research-based public-sector services, has failed to ensure that the financial guidelines in the area are sufficiently clear. Nor has the Ministry of Environment and Food adequately contributed to clarifying the financial framework for public-sector services in the veterinary field.

The lack of clarity in the frameworks is, among other things, related to the fact that, on the one hand, it is indicated that research-based public-sector services cannot be cross-financed out of the universities' general funding, and - on the other hand - research activities that provide the basis for the public-sector services are co-funded by the universities. As a result, and in spite of the parties' mutual dialogue and efforts to achieve clarity, the extent to which the appropriation was meant to cover, for instance, expenditure for the research facilities that were used for the execution of the assignment, remained an unresolved issue between the Ministry of Environment and Food and the DTU for a number of years.

It is furthermore Rigsrevisionen's assessment that it is not satisfactory that the DTU has not secured clear agreements on the financial terms for the execution of the assignment. The DTU based its plans to reduce the deficit in the veterinary field on the expectation of an increased appropriation, which the Ministry of Environment and Food had not committed to granting. This meant that the DTU planned the building of new laboratory and stable facilities without having definite knowledge of a significant precondition for the economy in the veterinary field.

In 2016, the Ministry of Environment and Food decided to tender the task. The ministry reached this decision after several years of futile negotiations with the DTU concerning the scope of services that the DTU would be able to provide within the financial framework. According to calculations made by the DTU, the execution of the assignment had namely produced substantial losses for several years. The UC won the tender and intends to perform the task in collaboration with the SSI from 2020 up to and including 2025.

It is Rigsrevisionen's assessment that the Ministry of Environment and Food has not handled the tender in an entirely satisfactory manner. The tender material did not initially clearly specify which diseases the suppliers would be required to research, nor did it specify the stable facilities that the suppliers would be required to have at their disposal. Additionally, the Ministry of Environment and Food accepted the offer made by the DTU, despite the fact that the DTU's bid specified reservations regarding the building of new laboratory and stable facilities that were necessary for the delivery of the services. Last, the Danish Veterinary and Food Administration did not strictly follow the general guidelines on tendering, as the agency failed to make an assessment of the impact the tender would have on the research environment. As a result of the tender, the DTU Veterinary Institute will close in 2020; the UC's access to carry out tests on animals weighing more than 15 kilos will be based on an agreement with a laboratory in Spain; and part of the veterinary preparedness will in a transitional period be based on an agreement with a German laboratory, because the building of a new laboratory on the grounds of the SSI has been delayed.

For the Ministry of Environment and Food, the financial implications of transferring the task from the DTU to the UC/SSI run into approximately DKK 22.6 million, which the ministry will have to pay in addition to the appropriation to cover transfer costs at the SSI. Furthermore, the SSI needs to build new laboratory facilities to be able to deliver the services. It is proposed that the cost of building the facilities should be covered by the appropriated funds. Approximately 16 per cent of the total cost for interest and instalments will be settled, when the contract period expires in 2025. This means that, if the agreement is not extended after the initial contract period has expired (2020 to 2025), the SSI will need to find alternative funding for the remaining approximately 84 per cent of the interest charges and write-offs relating to the facilities, or claim an instant write-off. To this should be added that the costs of closing down the university's veterinary facilities has been estimated at approximately DKK 26 million by the DTU.

Furthermore, the DTU has incurred expenditure of approximately DKK 63 million for pre-construction work in connection with the building of the laboratory and stable facilities that was cancelled in May 2017.

The Ministry of Higher Education and Science has informed Rigsrevisionen that our observations will be considered in the process of updating the general guidelines on research-based public-sector services. Furthermore, since 2016, the Ministry of Environment and Food has collaborated with the universities on specifying how appropriated funds can be used in relation to, for instance, indirect costs. Their efforts have led to the inclusion of a statement of estimated direct and indirect costs in the veterinary services agreement covering 2018 and 2019.