ASSURING THE SAFETY, QUALITY AND EFFICACY OF VETERINARY MEDICINES

Veterinary Medicines Directorate Annual Report & Accounts

2011/12

THE VETERINARY MEDICINES DIRECTORATE IS AN EXECUTIVE AGENCY OF THE DEPARTMENT FOR ENVIRONMENT, FOOD & RURAL AFFAIRS

HC228 £16.00

Veterinary Medicines Directorate

An Executive Agency of the
Department for Environment, Food & Rural Affairs

Annual Report and Accounts 2011/12

Presented to the House of Commons pursuant to Section 7(3)(c) of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 3 July 2012

LONDON : THE STATIONERY OFFICE

HC228 £16.00

Any enquiries regarding this publication should be sent to us at postmaster@vmd.defra.gsi.gov.uk

This publication is available for download at www.official-documents.gov.uk

This document is also available from our website at vmd.defra.gov.uk.

ISBN: 9780102977547

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2488698 07/12

Printed on paper containing 75% recycled fibre content minimum.

Contents

Chief Executive's Foreword

The Veterinary Medicines Directorate (VMD) is a multi disciplinary organisation fully responsible for both policy and delivery on veterinary medicines for the UK. Highly trained VMD staff seek to ensure maximum availability of safe and efficacious medicines for treatment and prevention of diseases and improved welfare in all animal species. We emphasise the importance of responsible medicine use and consider human health and environmental impacts in addition to animal need. We are also mindful of the importance of veterinary medicines to the livestock and fish-farming industry, and continue to seek opportunities to reduce regulatory burden, detect improper medicines sales and use and associated unfair competition to the industry, whilst seeking efficiencies to keep costs to industry to a minimum.

A major policy issue this year has been the European Commission (EC) reviews of Directives for Veterinary Medicinal Products (VMPs), Residues and Veterinary Checks, and Medicated Feedingstuffs. We have ensured consultation with Government, Devolved Administrations, relevant professions and Industry in order to develop a UK position, and utilise appropriate EC Committees and direct interactions to present that view. Related to these policy issues is the current high profile of antimicrobial resistance, particularly for bacterial pathogens. The EC published its 12 point action plan on reducing antimicrobial resistance in November. Five of these points solely concern veterinary medicines, and a further three are related to their use. In response the VMD is reviewing practices and actions in the UK, preparing a joint strategy document with the Department of Health (DH), and leading on the issue across Member States through its chairmanship of the Heads of Medicines Agency Taskforce on veterinary antimicrobials. A European wide survey designed to identify what influences veterinary choices on antibiotic use has been completed resulting in over 3,000 responses. Analysis is now being undertaken to identify ways to influence prescribing behaviour to help reduce risk of emergence of resistance.

Attention to opportunities and risks from interpretation and implementation of current Directives is also an essential task. An example is noting the consequences of a disparity between consumer safety requirements and prevention of growth promotion use for the number of days post hormone treatment required before the animal can go to market. This led to the EC advising removal from the market of a series of hormone containing products which would have had a major impact on the pig and equine industries. We challenged the EC decision, got an agreement to lead on reviewing the evidence and found a solution, to be adopted Europe wide, that allowed products to safely remain on the market.

Not all products made available to the public and professionals meet legal requirements, and staff remain alert to detect such products, as well as responding to alerts from the public and industry. As a result of our investigations into one company, which involved liaison with counterparts in France and Belgium, our evidence resulted in the conviction of 13 people and recovery of monies from proceeds of crime. We also police for misleading and unsupported medicinal claims, and as an example of this, five herbal product companies have reworded their adverts and literature. In keeping with our aims of ensuring that people can buy veterinary medicines that are safe, appropriate, and do what they claim, we have developed and agreed with the industry and professionals an internet sales voluntary accreditation scheme which will be launched this spring.

Illegal or misleading products are not only potentially dangerous, but they are also unfair competition to the law abiding industry, and decrease consumer confidence. To ensure maximum availability of safe medicines, and the continual investment needed to meet future needs, legitimate sales and marketing must be protected, and in applying and enforcing regulation and inspection we need to be as efficient as possible to keep costs and regulatory burden to a minimum. We have implemented a number of efficiency programmes to reduce costs to taxpayers and industry. For example, we have developed systems to allow the large amount of paperwork that needs to be submitted for review for permission to market a medicine to be done so electronically, and for the very large historical paper records to be converted to electronic form. This not only provides savings to us and companies, but also reduces the carbon foot-print. The sum of all our efficiencies is that we were able to charge industry *c.* £1M less than expected, and to deliver our public good activities despite reduced funding from the public purse.

Importantly, the efficiencies have not been at the expense of the quality of services we provide. Our national Government customers rated our services as excellent, as did our national and international industry customers who also rated us as the top performing national competent authority overall in the European Union (EU) for the functions we perform. We will continue to refine and improve our performance and quality systems.

As part of seeking further ways to improve the way we work and deliver our services we are seeking to establish partnerships with other regulatory bodies for our inspection responsibilities to see where these can be shared, working on the principle of “wherever possible only dig the road up once”.

Systems, services, advice and influence are only as good as the quality and commitment of the staff that deliver. That our services are considered so high quality is a testament to them.

S. P. Borriello

Professor SP Borriello
Chief Executive
7 June 2012

Management Commentary

Preparation and Audit of the Accounts

The Accounts have been prepared under a direction issued on 20 December 2011 by HM Treasury under Section 7(2) of the Government Resources and Accounts Act 2000 and are audited by the Comptroller and Auditor General.

The Veterinary Medicines Directorate's (VMD) income and expenditure was monitored under a net control total by HM Treasury and was also incorporated into the Defra Resource Accounting total.

So far as the Accounting Officer is aware, there is no relevant audit information of which the VMD's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the VMD's auditors are aware of that information.

About Us

Aim

Our aim is to protect public health, animal health, the environment and promote animal welfare by assuring the safety, quality and efficacy of veterinary medicines.

Vision

Our vision is the responsible, safe and effective use of veterinary medicinal products.

Operating Framework

The VMD was established in 1989, became a Next Steps Agency of the Ministry of Agriculture, Fisheries & Food (MAFF) in 1990 and became an Executive Agency of the Department for Environment, Food and Rural Affairs (Defra) on 7 June 2001.

We operate within an overall policy and financial framework determined by the Secretary of State for Defra, through the Minister of State for Agriculture and Food. Our day-to-day management within this framework, and our performance against our key targets, is the responsibility of our Chief Executive Officer (CEO), supported by Directors of Authorisations and Operations. Our policy, legal and resources framework is set out in our Framework Document.

We divide our work into three main areas, or "operating segments":

Veterinary Pharmaceutical Industry: the assessment of applications; issuing and maintenance of Marketing Authorisations; the licensing of manufacturers and wholesale dealers of veterinary medicines; and inspection of manufacturers, wholesale dealers and retailers of veterinary medicines. The main customers are Marketing Authorisation holders; manufacturers and importers of veterinary medicines; manufacturers of medicated animal feedingstuffs; retailers of veterinary medicines and medicated animal feedingstuffs; the veterinary profession; other stakeholders including farmers and keepers of animals; the European Medicines Agency[1] (EMA); Department of Health (DH); Food Standards Agency[2] (FSA) and consumers.

[1] You can find out more about the EMA via www.ema.europa.eu
[2] You can find out more about the work of the FSA via their website www.food.gov.uk

Food Industry: the surveillance for residues of veterinary medicines and banned substances in home-produced livestock and animal products, reporting of results and co-ordinating follow-up action. The VMD has contracts with other agencies and companies who carry out work on our behalf at abattoirs and other first processing industries and on farms. We also work with other stakeholders including consumer representative groups, the European Commission and the FSA who are responsible for food safety follow-up action.

Government: servicing, developing and implementing new policy/legislation on all aspects of veterinary medicines; providing support to Ministers through briefing and advice on replies to correspondence and Parliamentary Questions; pharmacovigilance for veterinary medicines; surveillance for residues of veterinary medicines and banned substances in imported animal products; and day-to-day management of the veterinary medicines Research and Development (R&D) programme on behalf of Defra. The VMD works closely with Ministers and officials of Defra and other Government Departments and Agencies including the FSA, the general public, industry, consumer representative groups, the European Commission, embassies and other representatives of foreign governments.

Responsibilities

The VMD's main responsibilities are:

- the assessment, issue and maintenance of all national Marketing Authorisations (MAs) for veterinary medicines in accordance with EC and UK legislation;
- acting as Reference Member State (RMS), Rapporteur, Co-Rapporteur or Concerned Member State (CMS) for designated European applications for centralised, decentralised or mutual recognition authorisations;
- controls on the manufacture and distribution of veterinary medicinal products including inspections;
- enforcement of the Veterinary Medicines Regulations;
- pharmacovigilance through the surveillance of Suspected Adverse Reactions (SARs);
- surveillance for residues of veterinary medicines and illegal substances in animals and animal products;
- the provision and implementation of policy advice on these matters to Ministers;
- the management of the Research and Development programme linked to veterinary medicine issues; and
- the co-ordination of Defra's work on antimicrobial resistance via the Defra Antimicrobial Resistance Coordination (DARC) Group[3].

[3] You can find out more about the DARC Group at www.vmd.defra.gov.uk/vet/antimicrobial_darc.aspx

Risk, Future Developments and Performance

The VMD's policy for managing its principal risks is described in the Governance Statement.

The key challenges to the VMD throughout 2012/13 and its plans for meeting them have been outlined in the VMD's Business Plan which is available on our website www.vmd.defra.gov.uk.

The key risks and/or future developments for the Agency are the:

- economic climate affecting the veterinary pharmaceutical industry and the volume of Authorisation applications the VMD receives;
- European Commission proposals to amend EC legislation on residues and medicated feedingstuffs;
- European Commission's work to review the veterinary medicines legislation with proposals expected in 2013;
- development and implementation of the European Commission's action plan on antimicrobial resistance;
- further implementation of electronic working;
- implementation of the VMD's accredited internet retailer scheme;
- Better Regulation Executive's review of regulators.

Personal data-related incidents

There have been no cases of personal data-related incidents during the year.

Financial Review

The VMD's total expenditure for the year was £14.3m, the same amount as in 2010/11.

The Statement of Comprehensive Net Expenditure shows "Net Operating Income" (income less expenditure) of £0.5m. However, the adjusted cost recovery result after including a cost of capital charge (see below) is £0.3m, equivalent to 102% cost recovery. The cost recovery results for the VMD's operating segments are shown in note 3 to the Accounts, summarised as follows:

	Income £m	Expenditure £m	Cost recovery £m
Veterinary Pharmaceutical Industry	7.6	7.4	0.2
Food Industry	3.7	3.7	0
Government	3.5	3.4	0.1
Total VMD	**14.8**	**14.5**	**0.3**

Income collected from the Veterinary Pharmaceutical Industry increased by 4% on 2010/11 due to increases in application volumes relating to Marketing Authorisations and higher than anticipated industry turnover growth. Fees to this industry were not increased during the year and a one-off reduction of £0.5m to annual fees was applied to avoid excess income in this sector.

Income collected from the Food Industry reduced by 6.7% following reductions in charges totalling £0.5m, reflecting significant efficiency savings and increased production volumes in some sectors.

Total Defra funding was £3.46m (2010/11: £3.39m), changes from 2010/11 being:

- £0.27m reduction to the non-statutory residues surveillance programme;
- £0.38m additional funding for the antimicrobial resistance surveillance programme, a new area of responsibility for the VMD from April 2011; and
- A £0.1m general reduction as a contribution to the Department's Spending Review savings targets.

Total operating costs for the year are consistent with 2010/11. A staff cost increase of 2.1% was almost entirely due to staff early departure costs of £0.2m, while a 4.5% increase in average full-time-equivalent staff numbers did not result in any significant additional pay cost. Significant changes in non-pay costs were:

- An additional £0.35m spend on the antimicrobial resistance surveillance programme;
- A £0.29m reduction in Enforcement and Investigation costs; and
- A £0.27m reduction in spend on the non-statutory residues surveillance programme.

From 1 April 2010, in line with HM Treasury advice, the agency no longer records a Cost of

Capital charge in its Accounts but continues to include a notional Cost of Capital charge in the calculation of fees and charges. The Cost of Capital charge applies to the average net assets in the Statement of Financial Position, with the exception of cash balances, to the extent that these are funded by fees and charges. The VMD's measure of Cost Recovery against its Business Plan target therefore includes a Cost of Capital Charge. A reconciliation between Net Operating Income and Cost Recovery result is provided at Note 3 to the Accounts.

Capital expenditure in the year was £0.13m, consistent with prior year. Land & Buildings are carried in the Statement of Financial Position at "Depreciated Replacement Cost" applying to specialist buildings. Depreciated Replacement Cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation." The VMD building is considered to be a "specialised" asset because it is located within a Defra site contained within a defined boundary accessed via a shared estate road and therefore cannot be operated as a separate entity.

The VMD is partly funded by Defra and the position is shown in the 'Taxpayers' Equity' section of the Statement of Financial Position. The General Fund represents the value of the VMD's net current assets as at 1 April 1991, which is the date from which the first Accounts Direction became effective, plus subsequent external funding movements, plus the accumulated net operating result transferred from the Statement of Comprehensive Net Expenditure. This reserve is not distributable. The Revaluation Reserve represents the unrealised cumulative balance of indexation and revaluation adjustments to non-current assets.

Events after the reporting period

Up to the date of issue, there have been no events since 31 March 2012 that would have a significant impact on the Annual Report & Accounts or would be likely to have a significant impact on the future performance of the VMD.

Payment policy and performance

The VMD's policy is to settle all creditors' accounts within creditors' own payment terms. During the year, the VMD paid 100% of valid invoices by the due date (2010/11: 100%). In March 2010 the Government introduced a target to pay 80% of undisputed invoices within five working days. The VMD supports this initiative and during the year paid 91% of undisputed invoices within five working days. The trade creditor balance at 31 March 2012, as a proportion of the total amount invoiced by suppliers in the year, equates to 3 days (2010/11: 4 days).

Targets

The Secretary of State for Defra announced our targets to Parliament on 14 July 2011. These provide a framework of actions in which the VMD can provide the best possible service to all its customers.

Target 1 – Value for Money

Achieve cost recovery and demonstrate progress in the three elements of Value for Money (Economy, Efficiency and Effectiveness).

Note 3 to the Accounts shows that the VMD recovered 102% of its total costs (including Cost of Capital).

To determine "Value for Money" the VMD follows the definitions cited by the National Audit Office to report on the economy, efficiency and effectiveness of public spending:

- Economy: minimising the cost of resources used or required – "spending less";
- Efficiency: the relationship between the output from goods or services and the resources to produce them – "spending well"; and
- Effectiveness: the relationship between the intended and actual results of public spending – "spending wisely".

Over the course of the year the VMD achieved value for money by:

- reducing the cost of residues surveillance to industry sectors by 11% on a full year through negotiations with the service providers;
- running the same sample size non-statutory surveillance programme as last year but with a £300,000 saving owing to economies of scale on analyses by the service provider and a new contract for supply of retail samples;
- taking over responsibility for antimicrobial resistance (AMR) policy from Defra accompanied by a cut in resource to support work on AMR. The AMR Surveillance budget was £525,000 in 2010/11 but this was reduced to £304,000 during 2011/12, including contributions of £15,000 from the Welsh Government and £30,000 from the Scottish Government. The research budget for AMR is also reducing from £753,000 in 2011/12 to £634,000 in 2012/13, £497,000 in 2013/14 and £308,000 in 2014/15;
- receiving all Marketing Authorisation applications electronically or converting them to electronic media on receipt to allow more efficient handling;
- reducing the annual fees charged to the pharmaceutical industry by £0.5 million.

Target 2 – Customers

a) Ensure that at least 80% of customers in the veterinary pharmaceutical industry consider the level of service provided by the VMD to be good or excellent and that the VMD acts on areas identified requiring improvement within the confines of the available resources.

Feedback on company meetings was one of the sources of customer information gathered in 2011/12 from 39 company meetings. Questionnaires were returned on 27 occasions, and of these an overall score of four or five (top marks) was given on 25 returns (five scored on 21, four scored on four and three scored on two questionnaires).

A survey of the pharmaceutical industry was initiated towards the end of 2011. For all teams the performance had improved or had remained at a similar (high) level to two years ago when the survey was last conducted. Taking account of the feedback for the different VMD teams overall 87% of people considered the VMD service to be good or excellent. The VMD was considered to be the top performing agency compared to the five other Member States who, with the UK, do the bulk of the authorisation work, being ranked first for six, and second for three of nine parameters tested. A small number of areas for improvement were identified and an action plan to address these has been developed.

b) Policy customers in Defra and Other Government Departments (OGDs) consider the level of service provided by the VMD to be satisfactory.

Defra conducted a survey of the VMD's policy customers (in Defra, the Food Standards Agency and the devolved administrations) during April 2012. The questions covered: the quality of the services; the way the services are provided; the focus on outcomes; engagement with stakeholders; the use of evidence; and the management of risk. The average satisfaction score for 2011/12 was 4.6 out of 5.

Target 3 – Operations/Policy Delivery

a) Veterinary Medicinal Products (VMP) authorised according to legislative requirements and their ongoing benefit:risk assessment remains positive through taking proportionate action on quality, safety and efficacy as necessary.

The overall performance against published standards corresponded to 98.4% so meeting the criteria defined as excellent. This is marginally higher than the result from last year (97.9 %) indicating that the high level of performance has been maintained.

The independent Veterinary Products Committee (VPC) rated the quality of the VMD assessments for national Marketing Authorisation applications as excellent.

b) Evidence of actions that encourage the responsible, safe and effective use of VMPs according to the legislative requirements through proportionate surveillance and inspection activities. Where necessary, use enforcement action to detect and deter illegal use.

Work generally went to plan for this target and its success is shown by the continuing low number of positive residue samples found. Changes to the Veterinary Medicines Regulations were implemented in October 2011. The ill-health of one of the small team of inspectors meant that the inspection targets for veterinary practice and other premises were narrowly missed. The antimicrobial sales report was published in November 2011 showing a small increase in the total amount sold in 2010. Evidence of responsible use was borne out by the absence of reported UK food associated resistance incidents.

c) Ensure UK policy principles influence EU legislative change, further the principles of market harmonisation and the development of efficient and effective procedures and guidance within the European Medicines Regulatory Network (EMRN).

We continued to work closely with colleagues across the EU by taking an active role in the Heads of Medicines Agencies Group and its task forces on the HMA Strategy, improving the medicines legislation and antimicrobial resistance, which the UK leads.

We have put forward proposals to the Commission to help them develop the revised legislation on veterinary medicines, medicated feeds and residues surveillance. We have also offered them practical support in the form of a national expert who will take up the position in the summer of 2012.

Target 4 – Capacity and Capability

Ensuring the VMD utilises its funding streams efficiently to maintain capability and capacity to deliver its business objectives and is fit for purpose.

The amount of work received from the pharmaceutical industry continued for a second year at a higher level than anticipated and despite a number of resource constraints we met our published standards.

We continued to develop our Information Technology (IT) systems to keep them fit for purpose. This included launching a significantly improved database for Suspected Adverse Reactions, a new correspondence management system and developing a system to support the VMD's Quality Management System which will go live early in 2012/13.

People Strategy

Staff Numbers

At 31 March 2012 we employed 156 permanent staff (150 full-time equivalent) and six temporary staff (5.4 full-time equivalent) supplied by local employment agencies. The average number of full-time-equivalent permanent and temporary staff during the year is shown in Note 4 to the Accounts.

The VMD complies with Equal Opportunities legislation and Departmental policy in relation to disabled employees. The VMD applies the Department's policies on equal opportunities and health and safety at work.

Employee Involvement

The VMD encourages staff involvement in its activities through a variety of channels including a VMD intranet, topic meetings, day-to-day line management contacts and diverse membership of project teams. Regular team meetings review progress against the Business Plan and review risk. Office notices and the intranet are used to disseminate information. An annual staff meeting to review the work of the past year is addressed by the CEO. Staff have access to the staff welfare facilities offered by the Department and Trade Union membership and representation is in accordance with Departmental policies.

The VMD was re-accredited as an Investor in People (IiP) in 2009. The assessment was made against new IiP standards and the VMD was awarded 'silver' status in recognition of the continuing efforts in the development and training of its staff. Our next IiP assessment will take place during June 2012.

The VMD benchmarks itself biennially against the European Foundation for Quality Management (EFQM) Excellence Model recommended by the Cabinet Office. The VMD took part in the European Union Benchmarking process led by the Heads of Medicines Agencies in June 2010.

The results of benchmarking, IiP assessment and Civil Service wide employee engagement surveys have been used to inform the 2012/13 Business Improvement Delivery Plan.

Sickness Absence

The total full-time-equivalent days lost through staff sickness absence in the year was 1,108 compared to 1,154 in 2010/11. The average working days lost per employee during the year was 7.5 compared to 7.6 in 2010/11.

Pensions

Future pensions provision is made for all permanent staff through the provisions of either the Principal Civil Service Pension Scheme or a stakeholder pension scheme with employer contributions. Details of how pension liabilities are treated in the Accounts are provided in Note 4 to the Accounts and the Remuneration Report.

Environmental Matters and Social and Community Issues

Sustainability Report for the year ended 31 March 2012

For more information please see Defra's Annual Report and Accounts – Section headed: "Sustainability in Defra", which covers the VMD.

Defra's Built Environment Sustainable Development Team provides the VMD with quarterly figures on each of the following categories.

GREENHOUSE GAS EMISSIONS		**2011 - 12**
Non-Financial Indicators (1,000 tCO_2e)	Total gross emissions	0.23
	Total net emissions	-
	Gross emissions Scope 1 (direct)	-
	Gross emissions Scope 2 & 3 (indirect)	-
Related Energy Consumption (million KWh)	Electricity: Non-Renewable	0.35
	Electricity: Renewable	-
	Gas	0.26
	LPG	-
	Other	-
Financial Indicators (£ million)	Expenditure on Energy	0.058
	CRC License Expenditure (2010 onwards)	0.003
	Expenditure on accredited offsets (e.g. GCOF)	0
	Expenditure on official business travel	0.191

Greenhouse Gas Emissions – Performance Commentary (including measures)

Under the Greening Government Commitments the VMD has a commitment to reduce carbon emissions by 25% from the estate and business related travel from a 2009/10 baseline by 2015. For the purposes of ongoing monitoring and assessment throughout the reporting period, Defra's Built Environment Sustainable Development Team developed annual indicative milestones based on a 5% reduction per annum which we will struggle to meet due to the constraints of the building.

Indicative Annual Milestone (tCO_2)

2011/12 – 219.91
2012/13 – 207.69
2013/14 – 195.48

2015 target – 183.26

Greenhouse Gas Emissions - Controllable Impacts Commentary

The main direct impacts for the VMD are in its electricity and gas consumption and significant changes to consumption cannot be made without considerable capital investment to introduce more energy efficient heat sources, reduce solar gain and the like. It should however be noted that we had a PowerStar voltage regulator fitted to the building and the strip lighting changed to the latest energy saving standard before the targets were set.

Greenhouse Gas Emissions – Overview of Influenced Impacts

Greening Government Commitment: To cut domestic business travel flights by 20% by 2015 from a 2009/10 baseline. Organisation Level Target: Currently recorded as having a zero indicative baseline. Staff undertake nearly all domestic business travel using the train.

<table>
<tr><th colspan="3">WASTE</th><th>2011 - 12</th></tr>
<tr><td rowspan="7">Non-Financial Indicators (tonnes)</td><td colspan="2">Total Waste</td><td>43.6</td></tr>
<tr><td>Hazardous Waste</td><td>Total</td><td>0</td></tr>
<tr><td rowspan="5">Non Hazardous Waste</td><td>Landfill</td><td>0</td></tr>
<tr><td>Reused/recycled</td><td>0</td></tr>
<tr><td>Composted</td><td>0</td></tr>
<tr><td>Incinerated with energy recovery</td><td>43.6</td></tr>
<tr><td>Incinerated without energy recovery</td><td>0</td></tr>
<tr><td rowspan="7">Financial Indicators (£k)</td><td colspan="2">Total Disposal Cost</td><td>*</td></tr>
<tr><td colspan="2">Hazardous Waste</td><td>0</td></tr>
<tr><td rowspan="5">Non Hazardous Waste</td><td>Landfill</td><td>0</td></tr>
<tr><td>Reused/recycled</td><td>0</td></tr>
<tr><td>Composted</td><td>0</td></tr>
<tr><td>Incinerated with energy recovery</td><td>*</td></tr>
<tr><td>Incinerated without energy recovery</td><td>0</td></tr>
<tr><td colspan="4">*The VMD does not have these figures. They are part of the overall estate costs and are not billed separately.</td></tr>
</table>

Waste - Performance Commentary (including measures)

The figures are total waste production from our building. All waste on the Weybridge site the VMD shares with Defra's Animal Health and Veterinary Laboratories Agency (AHVLA) goes into one stream to help the site incinerator burn less flammable waste such as animal bedding, carcasses etc. The Incineration Team extract glass and metals which are flash heat treated (to ensure biosecurity).

Under the Greening Government Commitments the VMD has a commitment to reduce the amount of waste generated by 25%, from a 2009/10 baseline, by 2015. For the purposes of ongoing monitoring and assessment throughout the reporting period, Defra's Built Environment Sustainable Development Team developed annual indicative milestones based on a 5% reduction per annum.

Indicative Annual Milestone (tonnes)

2011/12 – 52.44
2012/13 – 49.53
2013/14 – 46.61

2015 target – 43.70

Defra's Built Environment Sustainable Development Team calculate the VMD's waste by using the floor space apportionment figure for the single VMD building (which is 5.4% of the Weybridge site) as a percentage of all the waste produced on site. Defra recognise that this method does not compare to the weight figures recorded by the Interserve Incineration Team. Interserve provides monthly waste weights for arisings from our building which has been used above. For this reason Defra will look at re-baselining the VMD’s waste target, to use the much more accurate figures from the Incineration Team to measure the VMD’s performance.

Waste - Controllable Impacts Commentary

The main direct impacts of waste for the VMD are in relation to paper and other office related waste. There has been higher than normal levels of waste in the period reported because of the VMD’s data cleansing and scanning project. This is expected to decrease in line with our staged introduction of electronic information sharing and filing. We have also implemented a local initiative to reduce the Agency’s paper usage and hence potential waste creation. Based on the amount of paper we ordered over the same periods in 2010 and 2011, we have used *c.*15% less paper in 2011. We ordered 377 boxes in 2010 and 320 boxes in 2011, i.e. 142,500 fewer sheets of paper. We are committed to meeting the Governmental target further to reduce paper consumption by 10% in the coming year.

Waste - Overview of Influenced Impacts

The VMD introduced electronic submissions of applications data from the pharmaceutical industry and this has already led to a significant reduction in the amount of paper dossiers handled, stored and disposed of by the VMD.

FINITE RESOURCE CONSUMPTION			**2011 - 12**
Non-Financial Indicators ('000 m^3)	Water Consumption (Office Estate)	Supplied	1.09
		Abstracted	-
		Per FTE	0.007
	Water Consumption (Non-Office Estate)	Supplied	-
		Abstracted	-
Financial Indicators (£k)	Water Supply Costs (Office Estate)		0.400
	Water Supply Costs (Non-Office Estate)		0

Finite Resource Consumption - Performance Commentary (including measures)

Under the Greening Government Commitments the VMD has a commitment to an overall reduction in water consumption by 2015, from a 2009/10 baseline and to improve site level water consumption per FTE. Based on the last quarter and an average of 162 FTEs our annual consumption would be 6.68 m^3 per head which falls into the poor practice level of consumption.

Finite Resource Consumption - Controllable Impacts Commentary

Our main water use is in the toilet facilities. We have “water pigs” in the cisterns which reduce flush rates. We used more water between November 2010 and March 2011 because of technical problems with the urinals. We cannot do more to reduce toilet facility water usage without capital investment in new hardware. The two showers are already low volume units.

Finite Resource Consumption - Overview of Influenced Impacts

We influence staff to use only the water they need.

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of Departmental services;
- the funds available to departments as set out in the Government's Departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Professor Steve Dean was appointed as Chief Executive under an open contract and retired on 31 July 2011. Professor Peter Borriello was appointed as Chief Executive under a fixed term contract from 5 September 2011.

Salaries and Pension Benefits (Audited)

The following sections provide details of the remuneration and pension interests of the VMD's Directors.

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

Directors are appraised annually against a set of competencies and individually targeted objectives. Bonuses are the only form of remuneration subject to performance conditions. Bonuses paid in 2011/12 relate to performance in 2010/11 and bonuses paid in 2010/11 relate to performance in 2009/10.

No amounts have been paid during the year in respect of compensation to former senior managers or to third parties for services of a senior manager.

None of the VMD Directors has held any company directorships or other significant interests during the year that, in the opinion of the Directors, may conflict with their management responsibilities.

No employer contributions were made to partnership pension accounts during 2011/12 or 2010/11 in respect of the VMD's Directors.

The full-time equivalent annualised total remuneration of the highest paid Director and the median member of staff excluding the highest paid Director was as shown in the following table:

Total remuneration	Highest paid Director £000	Median of other staff £	Pay multiple (ratio)
2011/12	125 - 130	29,472	4.4
2010/11	100 - 105	29,848	3.5

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid Director in the VMD in the financial year 2011/12 was £125,000 to £130,000 (2010/11, £100,000 to £105,000). This was 4.4 times (2010/11, 3.5) the median remuneration of the workforce, which was £29,472 (2010/11, £29,848).

In 2011/12, no (2010/11, 0) employees received remuneration in excess of the highest paid Director. Remuneration ranged from £18,909 to £129,770 (2010/11, £19,265 to £103,750).

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. None of the Directors received any benefits in kind during the year.

Pension Benefits

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

	P Borriello Chief Executive (appointed 5 September 2011)	**S Dean** Chief Executive (retired 31 July 2011)	**J Atkinson** Director of Authorisations	**P Green** Director of Operations
	£000	**£000**	**£000**	**£000**
Salary (as defined above) in 2011/12	125-130 Including 10-15 bonus[1]	40-45 Including 10-15 bonus	80-85 Including 5-10 bonus	65-70 Including 0 bonus
Salary (as defined above) in 2010/11	-	100-105 Including 10-15 bonus	75-80 Including 5-10 bonus	0-5 Including 0 bonus
Real increase/(decrease) in pension and related lump sum at age 60	0-2.5 plus 0-2.5 lump sum	0-2.5 plus 0-2.5 lump sum	0-(2.5) plus 0-2.5 lump sum	0-2.5 plus 0-2.5 lump sum
Total accrued pension at age 60 and related lump sum	10-15 plus 0 lump sum	15-20 plus 50-55 lump sum	20-25 plus 30-35 lump sum	10-15 plus 40-45 lump sum
CETV at 31 March 2012	110	383	327	253
CETV at 31 March 2011[2]	107	339	234	–
Real increase/(decrease) in CETV after adjustment for inflation and changes in market investment factors	(1)	2	7	1

[1] P Borriello's salary includes circa £65k payable to him under his previous employment as a Director of the Veterinary Laboratories Agency (VLA). Similarly, the bonus disclosed for P Borriello is in respect of performance-related pay earned during his employment at the VLA and was funded by the VLA.

[2] The actuarial factors used to calculate CETVs were changed in 2011/12. For consistency, the CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

VMD Owner Advisory Board (OAB)

Membership details of the OAB are shown on page 23. With the exception of the VMD and the external members, the OAB members served only in their capacity as senior managers of the parent or other government department. Defra bears the cost of their representatives and the external members and details of these members' salaries, pensions, company directorships or other significant interests are included in their departments' resource accounts.

None of the external members of the OAB has held any company directorships or other significant interests during the year that, in the opinion of the members, may conflict with their management responsibilities.

External Board Members

Membership details of the Management Board are shown on pages 24 and 25. The three external members also form the Audit & Risk Committee. David Skilton chaired the Veterinary Products Committee until 31 December 2011. The following salaries and benefits-in-kind were paid to the external members:

2011/12	J Preston £000	B Morris £000	D Skilton £000
Salary (as defined above)	0-5	0-5	0-5
Benefits-in-kind	0-5	0-5	0-5
Total	0-5	0-5	5-10

2010/11	J Preston £000	B Morris £000	D Skilton £000
Salary (as defined above)	0-5	0-5	0-5
Benefits-in-kind	0-5	0-5	0-5
Total	0-5	0-5	5-10

Members' 'salaries' relate to attendance fees, from which payroll taxes are deducted at source. Benefits-in-kind relate to the reimbursement of travel expenses to the VMD's offices. The VMD settles the members' income tax liability on the benefits-in-kind through a 'PAYE Settlement Agreement'.

The external members did not receive any pension benefits as part of their remuneration.

None of the external members has held any company directorships or other significant interests during the year that, in the opinion of the members, may conflict with their management responsibilities.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to 3 years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/pensions

Professor SP Borriello
Chief Executive
7 June 2012

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 HM Treasury has directed the Veterinary Medicines Directorate to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Veterinary Medicines Directorate and of its net operating income, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis.

The Accounting Officer for the Department for Environment, Food & Rural Affairs has designated the Chief Executive of the Veterinary Medicines Directorate as Accounting Officer of the Veterinary Medicines Directorate. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in "Managing Public Money" published by HM Treasury.

Governance Statement

1. Governance framework

1.1 Accountability

It is fundamental to each accounting officer's responsibilities to manage and control the resources used in their organisation. The Governance Statement, a key feature of the Annual Report and Accounts, manifests how these duties have been carried out in the course of the year. It has two main components: corporate governance and risk management.

The Secretary of State for Defra determines the overall policy and financial framework within which the VMD operates and the Defra ownership function is exercised by the Chief Veterinary Officer (CVO). The CVO receives advice on the Agency's strategic direction and performance from the VMD Owner Advisory Board.

The CEO is accountable to the Secretary of State for Defra for the performance and operation of the VMD in accordance with its Framework Document[4] and for the achievement of its business priorities in accordance with its Business Plan. He is responsible for securing efficiency and the economical conduct of business and for the propriety and regularity of its income and expenditure.

The Framework Document is a written agreement between Defra and the VMD, which defines how the relationship should work. It reflects the purpose, responsibilities and legal framework of the VMD and the environment in which it operates.

1.2 Management

Day-to-day management within this framework is the responsibility of the CEO who, as Agency Accounting Officer, is individually and personally accountable to the Minister for achieving good value for money, regularity and propriety in the administration and operation of the VMD. The CEO is entitled to direct contact with HM Treasury with regard to the proper conduct of the VMD's finances.

As Accounting Officer, the CEO has responsibility for maintaining a sound system of internal control that supports the achievement of the VMD's policies, aims and objectives, whilst safeguarding the funds and departmental assets for which he is personally responsible, in accordance with the responsibilities assigned to him in "Managing Public Money".

The CEO is supported by Directors of Authorisations and Operations and a Management Board. This support structure provides an advisory and challenge function and is designed to give the CEO adequate insight into the business of the organisation and its use of resources to allow informed decisions about progress against business plans. Although responsibilities are delegated by the CEO to other senior managers, his formal accountability cannot be delegated or shared.

1.3 VMD Owner Advisory Board (OAB)

The OAB provides assurance to the Minister that the VMD has appropriate and effective mechanisms for financial control, audit and risk management. During the year the OAB met quarterly under the Chairmanship of Defra's CVO and had the following terms of reference:

- agreeing a VMD strategy that is suitable for Defra, Northern Ireland, Scottish Government,

[4] The VMD's Framework Document can be found at http://www.vmd.defra.gov.uk/business/about.aspx

Welsh Assembly Government and the VMD and takes into account the needs of other key stakeholders;

- ensuring the alignment of the VMD's capacity and capability to deliver on behalf of Defra and Devolved Administrations;
- considering the Ministerial targets and performance indicators to ensure they remain challenging;
- continuous review of 'shared' risks to the business and Defra;
- ensuring that the CEO delivers against Ministerial and corporate performance targets taking account of the level of risk within the Business Plan;
- ensuring that Defra funding is sufficiently robust to meet the requirements of the VMD's strategy;
- ensuring that the CEO delivers continued value for money improvements; and
- ensuring that contingency arrangements are in place.

The OAB advises the CVO on the following governance and business documents:

- the VMD Framework Document;
- the VMD Strategic/Corporate Plan (if not included in the Business Plan);
- the Annual Report & Accounts;
- the annual Business Plan, including Ministerial targets; and
- the Terms of Reference for the Management Board.

The OAB members who served during the year were:

Nigel Gibbens	Chief Veterinary Officer, Defra (Chair)
Steve Dean	Chief Executive Officer, VMD (retired 31 July 2011)
Peter Borriello	Chief Executive Officer, VMD (from 5 September 2011)
Paul Green	Director of Operations, VMD
Jackie Atkinson	Director of Authorisations, VMD
Simon Brown	Head of Finance, VMD (left the VMD 31 March 2012)
Robert Houston	Northern Ireland
Sheila Voas	Scottish Government
Christianne Glossop	Welsh Assembly Government
Brian Harding	Defra Corporate Customer (Deputy Chair)
Chris Pleass	Defra Finance (until 29 February 2012)
Philip Hall	Defra Finance (from 29 February 2012)
Andrew Spencer	Food Standards Agency

Non executive members:

John Preston	Chair of the VMD Audit & Risk Committee
Bruce Jones	Independent Veterinary Business Consultant

1.4 VMD Directors

The Directors who served during the year were:

Peter Borriello	Chief Executive and Agency Accounting Officer (from 5 September 2011)
Steve Dean	Chief Executive and Agency Accounting Officer (retired 31 July 2011)
Paul Green	Director of Operations
Jackie Atkinson	Director of Authorisations

1.5 Management Board

The Management Board meets quarterly to provide advice and challenge to the CEO and Executive Directors to ensure that effective measures are in place for:

- the delivery of key objectives agreed annually with the Minister and published in the VMD Business Plan;
- achieving value for money; and
- regularity and propriety in the administration and operation of the VMD.

During the year, the work of the Management Board included:

- providing an advisory role to the CEO on the development of the Corporate and Business Plan;
- monitoring actual performance against the objectives and budget set out in the Corporate and Business Plan agreed by Ministers;
- considering the VMD's assessment of business prospects and potential opportunities and the methods of communication with stakeholders;
- receiving and commenting on a report from the VMD's Audit and Risk Committee of measures to deal with existing or emerging risks;
- providing advice on any corrective action that may be required;
- receiving and commenting on the VMD's annual staff management and training strategy;
- approving the layout and content of the VMD's Annual Report & Accounts before submission to Ministers for approval; and
- providing a forum for providing generic advice to the CEO on issues affecting the work of the VMD.

The Management Board members who served during the year were:

Steve Dean	Chief Executive and Agency Accounting Officer (Chair) (retired 31 July 2011)
Peter Borriello	Chief Executive and Agency Accounting Officer (Chair) (from 5 September 2011)
Paul Green	Director of Operations
Jackie Atkinson	Director of Authorisations
Simon Brown	Head of Finance (left the VMD 31 March 2012)
Anna-Maria Brady	Head of Biologicals and Administration
Ruth Kearsley	Head of Pharmaceuticals and Feed Additives
Lesley Johnson	Head of Post Authorisation Surveillance Unit
Maggie Steel	Head of IT
David Rayner	Head of Core Services, Quality and Communications

John Preston	External member
Brian Morris	External member
David Skilton	External member (until 31 December 2011)

1.6 Corporate Governance Code

The focus of HM Treasury's Corporate Governance Code[5] is on ministerial departments and sets out the protocol, accountabilities and role of departmental boards. The VMD applies the principles of the Code, which requires that boards operate according to recognised precepts of good corporate governance in business: leadership, effectiveness, accountability and sustainability. It also requires that arrangements are in place for an annual evaluation of the effectiveness of the board and for results of the evaluation to be acted on.

The Chief Executive, Directors and Head of Finance meet on a weekly basis as the VMD's Executive Management Board (EMB). It has formally assessed its compliance with the Corporate Governance Code to the extent that it relates to an Executive Agency and has assessed its effectiveness. In its assessment, the Executive Management Board concluded that it has complied with the principles and spirit of the Code during the year. The Executive Management Board concluded that it had been effective in the discharge of its responsibilities as evidenced by, *inter alia*, the full delivery of the 2011/12 Business Plan; the results of the biennial industry customer satisfaction survey; the results of the annual staff survey; and the results of a survey, by Defra, of the VMD's policy customers. The minutes of the EMB meetings are made available to staff and provide opportunity for challenge as well as documented evidence against which effectiveness of the EMB can be judged.

2. Risk Management framework

2.1 Risk assessment

The CEO is responsible for maintaining oversight of the risks and opportunities the Agency faces. With support from the Management Board, the CEO needs to assess the VMD's risk appetite and decide how to respond to current and emerging risks.

The VMD's Strategic Risk Register contains the key risks that could threaten the achievement of the VMD's objectives. It is regularly reviewed by the CEO, Directors, Management Board and Audit & Risk Committee to consider the current risk profile, identify any new or emerging risks and assess options for managing each risk down to an acceptable level.

The VMD also seeks to identify risks that, while not significant enough to appear on the Strategic Risk Register, could still affect the successful outcome of the VMD's objectives. These risks are managed within individual business areas and are 'owned' by the respective Departmental Heads or Project Leaders who report progress to Directors at regular intervals. This includes a process for escalation to the Strategic Risk Register.

The Strategic Risk Register is supplemented by a list of "standing" controls setting out routine control measures that have been embedded within normal business processes.

The VMD's primary role is in the authorisation of veterinary medicines which is always based on weighing up the benefit of medicines against their risks, so the very nature of the work of the organisation is to examine risks and to reduce these to an acceptable level and then to consider these residual risks against the benefits. This philosophy in managing risks is applicable, and adopted, across the VMD.

[5] The Corporate Governance Code can be found at www.hm-treasury.gov.uk/d/corporate_governance_good_practice_july2011.pdf

During the year all of the risks that arose on the VMD's strategic risk register were recorded as being managed appropriately.

2.2 Internal controls

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the VMD for the year ended 31 March 2012 and up to the date of approval of the Annual Report & Accounts, and accords with Treasury guidance.

A Quality Management System was introduced across all teams in the VMD in 2010. The Quality Management System ensures processes and procedures are documented. A series of audits are performed each year, using VMD staff drawn from across the organisation and trained in auditing. The audits whilst initially team based are now largely process based and provide assurance that the documented processes and procedures are followed, with opportunities for improvements being identified and recorded. Our IT systems and functions are accredited to ISO 27001.

2.3 Audit & Risk Committee

The CEO has responsibility for reviewing the effectiveness of the system of internal control, taking advice from the Audit & Risk Committee. The Committee met quarterly during the year to advise the CEO on the adequacy and effectiveness of the VMD's governance and risk management frameworks. It was attended by and received reports from senior management and internal and external auditors.

The Audit & Risk Committee members who served during the year were:

John Preston	External member (Chair)
Brian Morris	External member
David Skilton	External member (until 31 December 2011)

2.4 Sources of assurance

The CEO's review of the effectiveness of the system of internal control relies on assurance from the following sources:

- the work of the internal auditors and their audit reports;
- the executive managers within the VMD, who have responsibility for the development and maintenance of the internal control framework;
- comments made by the National Audit Office in their management letter and other reports;
- the VMD's Quality Management System and the audits linked to this;
- results from customer surveys.

2.5 Internal Audit

The Internal Audit Service:

- operates under the requirements set out in Government Internal Audit Standards and the IIA-UK's International Standards for the Professional Practice of Internal Auditing; and
- provides regular reports following review and evaluation of the Agency's risk management, control and governance arrangements, making recommendations for improvements where appropriate.

The Head of Internal Audit has provided an independent opinion regarding the adequacy and effectiveness of the VMD's arrangements for governance and risk management during the year. The report concluded that for the 12 months ended 31 March 2012 the VMD had a well established approach to risk management; and that the control framework was in place and complied with.

While no significant internal control problems have been identified during the year, the VMD continually strives to build on the procedures and processes that it already has in place to manage risk.

Professor SP Borriello
Chief Executive
7 June 2012

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Veterinary Medicines Directorate for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Veterinary Medicines Directorate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Veterinary Medicines Directorate; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Veterinary Medicines Directorate's affairs as at 31 March 2012 and of the net operating income for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the 'Management Commentary' included within the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or

- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
15 June 2012

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

	Note	2012			2011
		Staff costs £000	Other costs £000	Income £000	£000
Administration costs:					
Staff costs	*4*	(7,263)			(7,112)
Other administrative costs	*5*		(7,097)		(7,231)
Operating income	*2*			14,847	14,746
Totals		(7,263)	(7,097)	14,847	403
Net operating income				487	403
Other comprehensive expenditure:					
Net gain on revaluation of property, plant and equipment				160	395
Total comprehensive income for the year ended 31 March 2012				647	798

All activities arise from continuing operations.

All of the above income and expenditure is classified as "Administration" for Resource Accounting purposes.

The notes on pages 34 to 47 form part of these accounts.

Statement of Financial Position

as at 31 March 2012

	Note	**2012**		**2011**	
		£000	**£000**	**£000**	**£000**
Non-current assets:					
Property, plant and equipment	*6*	**6,055**		6,213	
Intangible assets	*7*	**151**		106	
Total non-current assets			**6,206**		6,319
Current assets:					
Trade and other receivables	*8*	**3,272**		2,683	
Cash and cash equivalents	*9*	**3,529**		2,669	
Total current assets			**6,801**		5,352
Total assets			**13,007**		11,671
Current liabilities:					
Trade and other payables	*10*	**(2,699)**		(2,367)	
Total current liabilities			**(2,699)**		(2,367)
Assets less liabilities			**10,308**		9,304
Taxpayers' equity					
General fund			**6,776**		5,932
Revaluation reserve			**3,532**		3,372
Total taxpayers' equity			**10,308**		9,304

Professor SP Borriello
Chief Executive and Agency Accounting Officer
7 June 2012

The notes on pages 34 to 47 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2012

	Note	2012	2011
		£000	£000
Cash flows from operating activities:			
Net operating income		**487**	**403**
Adjustments for non-cash transactions:			
Depreciation, amortisation and loss on disposal of non-current assets	*5*	402	392
Defra service charges to General Fund	*5*	324	1,074
Auditors remuneration charged to General Fund	*5*	33	33
(Increase)/decrease in accruals for non-current assets		(9)	66
(Increase)/decrease in trade and other receivables		(589)	301
Increase/(decrease) in trade and other payables		332	621
Net cash inflow from operating activities		**980**	**2,890**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(28)	(124)
Purchase of intangible assets		(92)	(65)
Net cash outflow from investing activities:		**(120)**	**(189)**
Cash flows from financing activities:			
Repayment of Defra operational funding		-	(2,500)
Net financing:			
Net increase in cash and cash equivalents		**860**	**201**
Cash at the beginning of the year		**2,669**	**2,468**
Cash at the end of the year	*9*	**3,529**	**2,669**

The notes on pages 34 to 47 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 1 April 2010		**6,922**	**2,977**	**9,899**
Changes in taxpayers' equity for 2010/11:				
Net gain on revaluation of property, plant and equipment		-	395	395
Defra service charges to General Fund	*5*	1,074	-	1,074
Auditors remuneration charged to General Fund	*5*	33	-	33
Net operating income for the year		403	-	403
Total recognised income and expense for 2010/11		1,510	395	1,905
Repayment of Defra operational funding		(2,500)	-	(2,500)
Balance at 31 March 2011		5,932	3,372	9,304
Changes in taxpayers' equity for 2011/12:				
Net gain on revaluation of property, plant and equipment		-	160	160
Defra service charges to General Fund	*5*	324	-	324
Auditors remuneration charged to General Fund	*5*	33	-	33
Net operating income for the year		487	-	487
Total recognised income and expense for 2011/12		**844**	**160**	**1,004**
Repayment of Defra operational funding		-	-	-
Balance at 31 March 2012		**6,776**	**3,532**	**10,308**

The notes on pages 34 to 47 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context and comply with the guidelines issued by the International Financial Reporting Interpretations Committee (IFRIC).

Where the FReM permits a choice of accounting policy, a judgement has been made to select the most appropriate policy to suit the particular circumstances of the Agency, for the purpose of giving a true and fair view. The Agency's accounting policies have been applied consistently in dealing with items which are considered material in relation to the Accounts.

1.1 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and amounts reported for income and expenditure during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Agency's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred income

The Agency is responsible for managing the progress of, and income earned from, scientific assessments. Individual assessments may span across more than one financial year and the preparation of the financial statements requires the Agency to determine, based on an evaluation of the terms and conditions of the arrangements, that it fully and accurately reflects the completeness of any deferred income in this regard by reference to stage of completion of any ongoing assessments.

The Agency carries its non-current assets at fair value as stated in note 1.3 below. The charge for depreciation for each non-current asset is based on an estimate of its useful life.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

1.3 Property, plant and equipment

Items of property costing £2,000 or more, and plant and equipment or IT software costing £500 or more, where there is an expected useful economic life of more than one year, are carried in the Statement of Financial Position as non-current assets at fair value.

Property is valued at Depreciated Replacement Cost applying to specialist buildings. Depreciated Replacement Cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation."

Non-property assets are carried at fair value using indices provided by the Office for National

Statistics. Losses on revaluation are charged to the Revaluation Reserve to the extent that gains have been recorded previously and otherwise to the Statement of Comprehensive Net Expenditure.

1.4 Depreciation

Depreciation and amortisation are provided at rates estimated to write off the valuation of property, plant and equipment and software licences by the straight-line method over the estimated useful life of the asset. Componentisation has been adopted for the Agency's freehold building asset, with each component capitalised and depreciated separately. Estimated useful lives, component values and residual values are revised annually.

During the year, asset lives were in the following ranges:

Freehold land	Not depreciated
Freehold buildings	44 years
IT equipment	3-5 years
IT software	3-10 years
Furniture, fittings and office equipment	10 years

1.5 Operating income

Operating income is income which relates directly to the operating activities of the Agency. It principally comprises fees and charges for services provided on a full cost recovery basis to external customers, as well as public repayment work.

1.6 Income recognition

Income received in advance of work done is deferred to future periods to the extent necessary to cover the work estimated to be outstanding at the year end. Income receivable for work done in the year is accrued to the extent necessary to cover the work estimated to be complete at the year end.

1.7 Defra service recharges

Defra service recharges are charged to the Statement of Comprehensive Net Expenditure. Where Defra service recharges are not invoiced they are charged to the General Fund. Defra services recharges relate to Estate Maintenance, Human Resources and Legal Services. This year's charges are based on actual invoices; 2010/11 were notional charges. There is no associated restatement.

1.8 Financial instruments

Financial assets and financial liabilities are recognised in the Agency's Statement of Financial Position when the Agency becomes a party to the contractual provisions of the instrument.

1.9 Value Added Tax (VAT)

Most of the Agency's activities are outside the scope of VAT. As a result, input tax cannot generally be recovered. However, under a Treasury concession applying to government departments, limited input VAT recovery is possible on certain specified contracted out services attributable to those activities. For those limited activities where output VAT is charged, directly attributable input VAT can be recovered under the normal rules.

1.10 Research and development

The VMD is responsible for the management of Defra's Veterinary Medicines Research and Development programme. However the programme costs are borne by Defra and not by the VMD. Therefore only the costs of administering the programme are recognised in the VMD accounts.

1.11 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in the Remuneration Report and Note 4(iii). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

1.12 Leases

All payments under operating leases are charged to the Statement of Comprehensive Net Expenditure as they are incurred. An operating lease is a lease other than a finance lease. A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. The Agency does not have any finance leases.

1.13 Administration and programme expenditure

All of the VMD's income and expenditure is classified as "Administration" for Resource Accounting purposes.

1.14 General Fund

The net operating result for each year is transferred from the Statement of Comprehensive Net Expenditure to the General Fund. The General Fund represents the value of the VMD's net assets less liabilities as at 1 April 1991, which is the date from which the first Accounts Direction became effective, plus subsequent external funding movements, plus the accumulated net operating result transferred from the Statement of Comprehensive Net Expenditure. This reserve is not distributable.

1.15 Revaluation Reserve

The Revaluation Reserve represents the unrealised cumulative balance of indexation and revaluation adjustments to non-current assets.

2. Operating income and costs

2.1 Operating income

Income was earned from the following business segments:

	2012			2011
	External	Defra	Total	Total
	£000	£000	£000	£000
Veterinary Pharmaceutical Industry	7,634	27	7,661	7,361
Food Industry	3,682	43	3,725	3,994
Government	46	3,415	3,461	3,391
	11,362	3,485	14,847	14,746

2.2 Operating costs

Costs that cannot be directly allocated to individual operating segments are allocated according to staff time utilised. Staff time utilised during the year was as follows.

	2012	2011
	%	%
Veterinary Pharmaceutical Industry	77	75
Food Industry	4	5
Government	19	20
	100	100

3. Key performance target

The Agency's 2011/12 Business Plan includes one key financial performance target: to achieve 100% cost recovery as a whole. In assessing performance against this target, a notional Cost of Capital is recorded in addition to the costs included in the Statement of Comprehensive Net Expenditure. For 2011/12 an overall cost recovery of 101% was achieved. However the VMD seeks to achieve cost recovery for each of its three operating segments and for 2011/12 the results were as follows.

	2012			
	Veterinary Pharmaceutical Industry **£000**	Food Industry **£000**	Government **£000**	**Total £000**
Income	7,661	3,725	3,461	**14,847**
Expenditure	(7,268)	(3,773)	(3,319)	**(14,360)**
Net operating income per Statement of Comprehensive Net Expenditure	393	(48)	142	**487**
Less: cost of capital charge	(199)	(10)	-	**(209)**
Cost recovery surplus/(deficit)	194	(58)	142	**278**
Cost recovery performance	103%	98%	104%	**102%**

	2011			
	Veterinary Pharmaceutical Industry **£000**	Food Industry **£000**	Government **£000**	**Total £000**
Income	7,361	3,994	3,391	**14,746**
Expenditure	(6,920)	(3,925)	(3,498)	**(14,343)**
Net operating income per Statement of Comprehensive Net Expenditure	441	69	(107)	**403**
Less: cost of capital charge	(190)	(12)	-	**(202)**
Cost recovery surplus/(deficit)	251	57	(107)	**201**
Cost recovery performance	104%	101%	97%	**101%**

The information in Notes 2 and 3 is provided for fees and charges purposes.

4. Staff costs

4.1 Staff cost summary

Staff costs consist of the following.

	2012			2011
	Permanently employed staff	Temporary staff	Total	Total
	£000	**£000**	**£000**	**£000**
Wages and salaries	5,546	238	5,784	5,636
Social security costs	455	-	455	445
Other pension costs	1,028	-	1,028	1,031
Sub-total as reported in Statement of Comprehensive Net Expenditure	**7,029**	**238**	**7,267**	**7,112**
Less recoveries in respect of outward secondments	(4)	-	(4)	-
	7,025	238	7,263	7,112

Included in the permanently-employed staff costs is an accrual for untaken annual leave of £130,000 (2010/11: £151,000). This comprises of £102,000 (2010/11: £118,000) wages and salaries, £8,000 (2010/11: £9,000) social security costs and £20,000 (2010/11: £24,000) other pension costs.

4.2 Senior managers' remuneration

Details of the Chief Executive's and senior managers' salaries and pension entitlements are shown in the Remuneration Report.

4.3 Pensions

The Principal Civil Service Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the VMD is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011/12, employers' contributions of £1,012,000 were payable to the PCSPS (2010/11: £1,014,000) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2010/11 were between 17.1% and 25.5%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2009/10 and will remain unchanged until 2013/14.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution.

Employer's contributions of £16,000 (2010/11: £17,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

At the balance sheet date, contributions of £102,000 were payable to the partnership pension providers (2010/11: £98,000) and no contributions were prepaid (2010/11: £nil). No individuals retired early on ill-health grounds during the year and therefore no additional pension liabilities have been accrued for this purpose.

4.4 Early departure costs

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure or earlier where a demonstrable commitment exists.

	2012	2011
Exit package cost band	**Number**	**Number**
Up to £10,000	1	-
£10,001 – £25,000	6	-
£25,001 - £50,000	3	-
£50,001 - £100,000	-	1
Total number of exit packages in cost band	10	1

A voluntary exit scheme was offered to staff during the year, ten staff were selected and the last day of service is 30 June 2012.

4.5 Staff numbers

The average number of full-time equivalent persons employed during the year was as follows.

	2012			2011
	Permanently employed staff	**Temporary staff**	**Total**	**Total**
	Number	**Number**	**Number**	**Number**
Scientific	46	1	47	52
Administrative	110	5	115	103
	156	6	162	155

5. Other administrative costs

	Note	2012 £000	2011 £000
(i) Direct subcontracting costs			
Services provided by Industry		1,867	1,871
Services provided by Other Government Departments:			
Food and Environment Research Agency		1,079	1,333
Meat Hygiene Service		463	479
Animal Health and Veterinary Laboratories Agency		774	442
Fisheries Research Services		110	112
Medicines and Healthcare products Regulatory Agency		18	11
Centre for Environment, Fisheries and Aquaculture Science		9	2
		4,320	**4,250**
(ii) Other costs			
IT systems maintenance		265	268
Consultancy		40	24
Travel and subsistence		160	146
Training		81	63
Document storage		54	74
Communications		127	122
Independent expert committees		95	94
Stationery and publications		123	138
Operating leases		30	32
Movement on provision for bad debts		43	44
Other costs		204	172
		1,222	**1,177**
(iii) Departmental recharges			
Defra service recharges:			
Invoiced		796	305
Charged to the General Fund		324	1,074
Auditors remuneration		33	33
		1,153	**1,412**
(iv) Depreciation, amortisation and revaluation losses			
Depreciation of property, plant and equipment	*6*	316	327
Amortisation of intangible assets	*7*	59	61
Losses on disposal of non-current assets		27	4
		402	**392**
Total other administrative costs		**7,097**	**7,231**

Within the Statement of Comprehensive Net Expenditure the full cost of occupation is reflected in relation to buildings that are held on the Agency's Statement of Financial Position. The costs are proportionate to occupation and include rates, utilities, management overheads and facilities management.

No remuneration was paid to the auditors in respect of non-audit work.

Invoiced Defra service recharges relate to Estates Maintenance, Human Resources and Legal services. Defra service charges charged to the General Fund relate to Investigation services.

Consultancy costs include the provision to management of objective advice relating to the strategy, structure, management or operations of the Agency in pursuit of its objectives.

6. Property, plant and equipment

	Land	Buildings	IT Equipment	Furniture Fittings & Equipment	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost or Valuation:					
At 1 April 2011	470	7,933	971	367	9,741
Additions	-	-	25	-	25
Disposals	-	(38)	(60)	(5)	(103)
Revaluation	-	355	-	4	359
At 31 March 2012	470	8,250	936	366	10,022
Depreciation:					
At 1 April 2011	-	(2,394)	(840)	(294)	(3,528)
Charged in year	-	(228)	(76)	(12)	(316)
Disposals	-	13	59	4	76
Revaluation	-	(196)	-	(3)	(199)
At 31 March 2012	-	(2,805)	(857)	(305)	(3,967)
Net Book Value:					
At 31 March 2012	**470**	**5,445**	**79**	**61**	**6,055**
At 31 March 2011	470	5,539	131	73	6,213
Cost or Valuation:					
At 1 April 2010	470	5,334	1,051	380	7,235
Additions	-	5	49	4	58
Disposals	-	(3)	(11)	(19)	(33)
Revaluation	-	2,597	(118)	2	2,481
At 31 March 2011	470	7,933	971	367	9,741
Depreciation:					
At 1 April 2010	-	-	(845)	(299)	(1,144)
Charged in year	-	(204)	(111)	(12)	(327)
Disposals	-	-	10	19	29
Revaluation	-	(2,190)	106	(2)	(2,086)
At 31 March 2011	-	(2,394)	(840)	(294)	(3,528)
Net Book Value:					
At 31 March 2011	**470**	**5,539**	**131**	**73**	**6,213**
At 31 March 2010	470	5,334	206	81	6,091

Revaluation movements result from the indexation and/or the revaluation of non-current assets.

The Land and Buildings were valued at 31 March 2012 by an independent valuer in accordance with guidance issued by the Royal Institution of Chartered Surveyors. Buildings were valued at

Depreciated Replacement Cost applying to specialist buildings in accordance with IAS 16, defined as the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

7. Intangible assets

	£000
Cost or valuation:	
At 1 April 2011	744
Additions	104
Disposals	(8)
At 31 March 2012	840
Amortisation:	
At 1 April 2011	(638)
Charged in year	(59)
Disposals	8
At 31 March 2012	(689)
Net Book Value:	
At 31 March 2012	**151**
At 31 March 2011	106

	£000
Cost or valuation:	
At 1 April 2010	679
Additions	65
Disposals	-
At 31 March 2011	744
Amortisation:	
At 1 April 2010	(577)
Charged in year	(61)
Disposals	-
At 31 March 2011	(638)
Net Book Value:	
At 31 March 2011	**106**
At 31 March 2010	102

Intangible assets comprise software licences.

8. Trade and other receivables

Amounts falling due within one year:	2012	2011
	£000	£000
Trade receivables	1,546	688
Balances with other central government bodies	769	860
Other receivables	26	22
VAT recoverable	43	76
Prepayments and accrued income	888	1,037
	3,272	2,683

Trade receivables are shown net of a provision of £181,000 (2010/11: £138,000) for bad and doubtful debts. The provision is calculated according to the age and status of the debt and recent sector-specific debt-recovery information. Included in receivables there are no balances with local authorities, NHS bodies, public corporations or trading funds (2010/11: £nil).

Balances with other central government bodies at the year-end includes £769,000 with Defra and its agencies (2010/11: £860,000).

At the year end the VMD had no receivables falling due after more than one year (2010/11: £nil).

9. Cash and cash equivalents

	2012	2011
	£000	£000
Balance at 1 April	2,669	2,468
Net change in cash and cash equivalent balances	860	201
Balance at 31 March	3,529	2,669

All balances were held in accounts administered by Government Banking Services.

10. Trade and other payables

Amounts falling due within one year:	2012 £000	2011 £000
Trade payables	47	39
Balances with other central government bodies	470	396
Balances with public corporations and trading funds	-	4
Other taxation and social security	166	158
Accruals and deferred income	2,016	1,770
	2,699	2,367

Included in payables there are no balances with local authorities or NHS bodies (2010/11 £nil).

Balances with other central government bodies at the year-end includes £397,000 owing to Defra and its agencies (2010/11: £353,000).

At the year end the VMD had no payables falling due after more than one year (2010/11: £nil).

11. Capital commitments

There were no contracted commitments at 31 March 2012 (2010/11: £nil).

12. Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

Obligations under operating leases comprise:	2012 £000	2011 £000
Contract Hire cars		
Not later than one year	11	28
Later than one year not later than five years	17	16
	28	44

13. Other financial commitments

Defra has entered into a non-cancellable contract, which is not a lease or Private Finance Initiative (PFI) contract, for Estate Maintenance and Facilities Management services associated with buildings that are either leased by Defra or held on the Agency's Statement of Financial Position. The Agency incurs a charge proportionate to the benefit it receives from this contract. The payments to which the Agency is committed at the year-end, analysed by the period during which the commitment expires are as follows.

	2012 £000	2011 £000
Not later than 1 year	297	280
Later than 1 year but not later than 5 years	1,172	1,117
Later than 5 years but not later than 10 years	1,464	1,397
Later than 10 years but not later than 15 years	586	838
	3,519	3,632

14. Losses statement

	2012		2011	
	Cases Number	Value £000	Cases Number	Value £000
Claims waived	35	45	39	140

No individual case exceeded £250,000 in value.

15. Related party transactions

As the VMD is an Executive Agency of Defra and is sponsored by them, Defra is regarded as a related party. During the year, the VMD has had significant transactions with Defra and a number of its agencies, including Animal Health and Veterinary Laboratories Agency, Food and Environment Research Agency and Centre for Environment, Fisheries and Aquaculture Science.

The VMD has transacted with various other central Government bodies. Most of these transactions have been with the Medicines and Healthcare products Regulatory Agency, Meat Hygiene Service, Fisheries Research Services, Government Car and Despatch Agency and the National School of Government. None of the board members, key managerial staff or other related parties has undertaken any material transactions with the VMD during the year other than reimbursement for travel and subsistence in the normal course of business.

16. Financial instruments

As the cash requirements of the VMD are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

17. Events after the reporting period

The VMD's financial statements are laid before the House of Parliament by the Secretary of State for Defra. IAS10 requires the VMD to disclose the date on which the accounts are authorised for issue. The authorised date for issue is 15 June 2012.

Glossary

AHVLA	Animal Health and Veterinary Laboratories Agency
AMR	Antimicrobial Resistance
CEO	Chief Executive Officer
CETV	Cash Equivalent Transfer Value
CMS	Concerned Member State
CVMP	Committee for Veterinary Medicinal Products
CVO	Chief Veterinary Officer
DARC	Defra Antimicrobial Resistance Coordination Group
DCP	Decentralised Procedures
Defra	Department for Environment, Food & Rural Affairs
DH	Department of Health
EC	European Commission
EFQM	European Foundation for Quality Management
EMA	European Medicines Agency
EMB	Executive Management Board
EMRN	European Medicines Regulatory Network
EU	European Union
Fera	Food and Environment Research Agency
FFG	Food and Farming Group
FReM	Financial Reporting Manual
FSA	Food Standards Agency
FTE	Full Time Equivalent
GSi	Government Secure Intranet
HMA	Heads of Medicines Agencies
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IiP	Investors in People
IT	Information Technology
MA	Marketing Authorisation
MAFF	Ministry of Agriculture, Fisheries and Food
OAB	Owner Advisory Board
OGD	Other Government Departments
PCSPS	Principal Civil Service Pension Scheme
PFI	Public Finance Initiative
R&D	Research and Development
RMS	Reference Member State
SARs	Suspected Adverse Reactions
VMD	Veterinary Medicines Directorate
VMP	Veterinary Medicinal Product
VMR	Veterinary Medicines Regulations
VPC	Veterinary Products Committee

ASSURING THE SAFETY, QUALITY & EFFICACY OF VETERINARY MEDICINES

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ISBN 978-0-10-297754-7