

Animal and Plant Health Agency

Annual Report and Accounts 2015/16

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2015/16

(For the year ended 31 March 2016)

Accounts presented to the House of Commons in pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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Foreword by Chief Executive Officer – Chris Hadkiss



The core purpose of the Animal and Plant Health Agency (APHA) is to work to safeguard animal and plant health for the benefit of people, the environment and the economy. APHA is an executive agency, sponsored by the Department of Environment, Food and Rural Affairs.

This has been the first full year of operation following the agency's creation on 1 October 2014 when it merged the former Animal Health and Veterinary Laboratories Agency (AHVLA) and with parts of the Food and Environment Research Agency (FERA) responsible for plant and bee health to create a single agency responsible for animal, plant and bee health.

2015/16 has been another challenging and exciting year for APHA. A range of changes have been made to ensure that we retain a modern and effective agency that continues to be fit for purpose. We began this process with an organisation reform program (which has been designed and driven by those people that work in the agency). The programme has, to date, seen improvements to our operational management structure and the creation of a single point of telephone contact for farmers in England. We have also continued with the further integration of Plant and Bee Health work into operational and scientific services.

We are working collaboratively to deliver the Government's commitment to see a reduction in the number of farm visits by 20,000 visits in 2020 through better co-ordination of visits and looking to make better use of third parties in routine and risk assessed inspections. All of which helps to reduce the administrative burden on rural land managers.

We have again played a key role in delivery of the tuberculosis (TB) strategies most notably in England and Wales. This included contributing to completion of the Badger Culls in 2015. We have continued to provide advice to policy customers to inform and help them shape bovine TB strategies and legislation.

There were a number of outbreaks of notifiable diseases in 2015/16 that enabled us to again show how effective, responsive and flexible our staff are at responding to such events and still have the ability to make sure that day to day activities are completed. In each instance we took the opportunity to review how our performance could be further enhanced.

This is just a few examples of the work we have done in 2015/16 and this report will give you more detail on what we are asked to do, how we have delivered that ask and how we performed both operationally and financially.

I would like to pay tribute to all our people, in the agency and across our wider network for their hard work and dedication as much of what we do could not be achieved without them, and there are many changes still to come and I know that their drive and enthusiasm will continue to help APHA meet these challenges and continue to deliver the needs of our customer and stakeholders.

Chris Hadkiss
APHA Chief Executive

14 July 2016

Highlights 2015/16

Launch of the Rural Services Helpline

On 30 September 2015, Defra launched the Rural Services Helpline, offering customers of both APHA and Rural Payments Agency in England just one telephone number to contact both agencies. The launch of the helpline and a new farming landing page on GOV.UK marked an important step in achieving the objectives of Defra's five year strategy and is a great example of different teams from across Defra coming together to help improve customer access to our services.

Launch of a refreshed APHA Science Strategy 2015 to 2020 - 'Expertise with Impact'

The strategy takes into account the creation of APHA and the additional science now covered by the agency. This is complemented by the Lead Scientists' science portfolio strategies which highlight key scientific priorities and objectives for the next three years.

Winning a gold medal at RHS Chelsea Flower Show

The Plant Health Technical Extension Team exhibited at the RHS Chelsea Flower Show, with a display titled 'Beyond Our Borders' in the fresh garden category, which was awarded a gold medal. It was designed to show how British trees are being used to provide an early warning system for new plant pests and diseases that could harm our natural environment.

Responding quickly to a potential GM contamination

The Genetic Modification (GM) Inspectorate responded quickly when a seed company, which had entered a conventionally-bred variety of winter oilseed rape seed into trials, received a test result indicating possible GM contamination.

Effectively managing the outbreak of Animal Disease

APHA's ability to manage an outbreak of animal disease has been tested several times in the past year, such as: when low pathogenic avian influenza was confirmed at a chicken breeding farm in Hampshire in February; when high pathogenic avian influenza (H7N7) was confirmed at a poultry farm in Lancashire in July; and in October a case of anthrax was confirmed in cattle at a farm in Wiltshire and also a case of (H5N1) low pathogenic avian influenza on a broiler breeder unit in Dunfermline. In each of these cases everyone pulled together to provide a quick and first class response both within the agency and working alongside our Defra partners.

Field operations teams from APHA Wales supported Public Health Wales at the end of 2015 to investigate cases of human Hantavirus infections in South Wales.

Hantaviruses, from the *Bunyaviridae* family, are a group of viruses that are normally carried by rodents, such as rats, mice and voles. They are present across the world and cause conditions in humans ranging from mild, flu-like illness to severe respiratory illness or haemorrhagic disease. Public Health Wales (PHW) and Welsh Government requested APHA to be involved and the agency's support to PHW helped them manage the human health risks and make sound incident management decisions.

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Chapter 1 – Performance Report: About APHA

1.1 Who are we

The Animal and Plant Health Agency (APHA) is an executive agency of Defra, providing services to the Scottish and Welsh Governments, other government departments and a range of other customers. The agency was launched on 1 October 2014 and currently employs around 2,300 staff at various sites across the UK. Our headquarters are located in Weybridge, Surrey.

We maintain essential disease investigation and response capability, as well as support a strong trade in plants, animals and associated products through effective certification, audit and inspection. We help protect our borders through effective import controls of animals, plants, seeds and products of animal origin.

1.2 Our Responsibilities

APHA is at the forefront of efforts to eradicate bovine TB, through our proactive intervention, effective delivery and use of data to inform the understanding of the bovine TB picture in England, Scotland and Wales. Northern Ireland has a separate veterinary service but draws on elements of APHA's services including laboratory capability and export facilitation.

We are responsible for:

- Identifying and controlling endemic and exotic diseases and pests in animals, plants and bees, and surveillance of new and emerging pests and diseases.
- Scientific research in areas such as bacterial, viral, prion and parasitic diseases and vaccines, and food safety.
- Ensuring high standards of welfare in farmed animals.
- Facilitating trade in animals and in products of animal origin, plants and seeds.
- Ensuring improvements in the breeding of plant varieties.
- Protecting endangered wildlife through licensing and registration.
- Managing a programme of apiary (bee) inspections, diagnostics and training and advice.
- Regulating the safe disposal of animal by-products to reduce the risk of potentially dangerous substances entering the food chain.

- Ensuring genetically modified (GM) crop trials are carried out in accordance with statutory requirements and auditing seed importers to minimise the risk of unauthorised GM crops being planted.

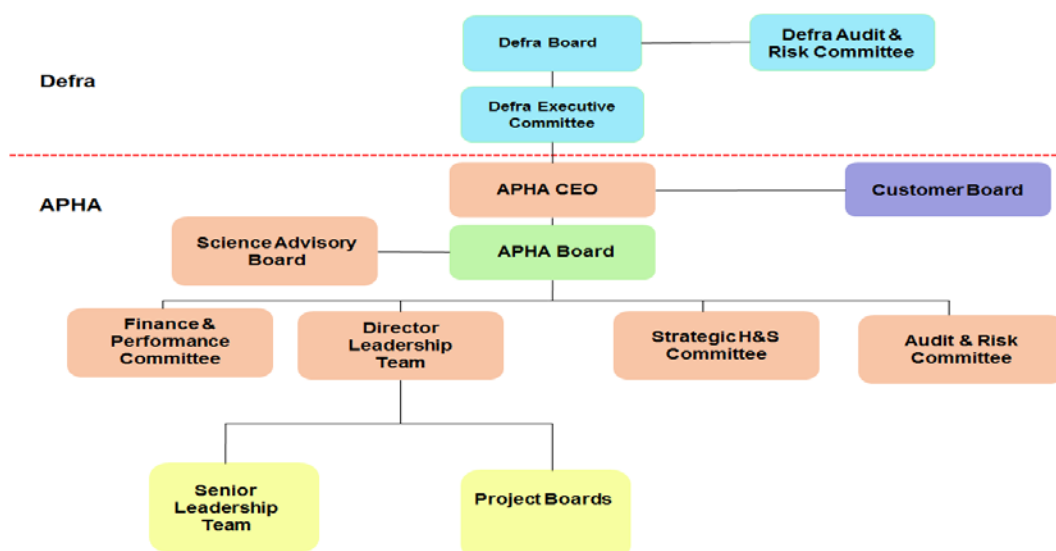
1.3 Additional Services

We offer additional services to the veterinary and scientific community, industry and the public including:

- A reference laboratory function for the European Union (EU), World Organisation for Animal Health (OIE) and World Health Authority (WHO)
- The supply of commercial products through APHA Scientific¹
- A disease alert service which helps keep people informed of the latest developments on animal disease.
- An online tool called APHA Vet Gateway which provides access to veterinary information and instructions for official veterinarians and private veterinary surgeons.
- An information resource for beekeepers to help keep their honey bees healthy and productive, and support the government's bee health programme and Healthy Bees Plan.

1.4 Our Operating Structure

The governance structure of the agency is illustrated below



¹ <http://ahvla.defra.gov.uk/apha-scientific/index.htm>

In 2015/16 APHA as an Executive Agency of Defra runs at a net running cost. The Defra Chief Operating Officer acts on behalf of the Defra Board in all APHA ownership matters, providing line management of the APHA Chief Executive and assuring the Defra Board that appropriate governance arrangements are in place within the agency.

Support to this role is provided through regular performance reports and management information from APHA to Defra. There are also links via non-executive directors and functional areas such as finance, human resources and science. The APHA Chief Executive (who is also the APHA Accounting Officer), has personal responsibility and accountability to Parliament through ministers, and also to the devolved administrations in Scotland and Wales in relation to activities within their areas. In addition, the Chief Executive is responsible for the delivery of APHA services and resources. He is supported and challenged by the APHA Board, which until 30 September 2015 has been chaired by a Lead Non-Executive Director and the Chief Executive is currently the Board Chair (with the agreement of Defra) until the vacancy can be filled.

Full details on our board remits, governance structure and attendance records can be found on GOV.UK² and within our Governance Statement on pages 35 to 43.

Further details of our management structures can be found in Chapter 7 of this document and the wider staffing arrangements for APHA is also explained in that section.

1.5 Our Partners

Working with Defra

We work with Defra to maintain England's biosecurity, ensuring that England has a healthy and viable agriculture sector. We do this by maintaining both capability and capacity in the key areas of animal health and welfare, GM, plant varieties and seeds, plant and bee health. Specifically this includes the provision of inspection services as well as, veterinary investigation, disease surveillance, testing and diagnosis, scientific research, disease and pest containment and eradication, and post outbreak recovery. For plant and bee health APHA works closely with Fera Science Limited (FSL) for provision of diagnostic services through a long term supply agreement between Defra and FSL.

We provide veterinary and scientific evidence and advice, which is used to design and improve the animal health and welfare policies that help to protect animals, people and the economy from animal-related threat, without placing unnecessary burdens on animal keepers and industry. In addition to this we work with Defra to

² <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/our-governance>

represent and manage UK issues, such as supporting UK trade in animals, plants and associated products.

Working with Welsh Government

We support the Welsh Government through making a positive contribution to the strategic outcomes of the Wales Animal Health and Welfare Framework by listening to, understanding and reacting appropriately to Wales's specific policy priorities and delivery expectations.

We provide the greatest possible resilience and preparedness against the threat of animal and plant health diseases in Wales, delivering the operational response necessary to control disease outbreaks and ensuring disease control structures and processes are aligned with the well-established emergency response structures that may be required to manage the wider consequences of a notifiable animal, plant or bee health disease outbreak.

Working with Scottish Government

We will support the Scottish Government by using our knowledge, expertise and emergency response capabilities to continue to protect and enhance the high health and welfare status and sustainability of Scottish agriculture. This includes:

- Maintaining and developing the operational infrastructure for dealing with notifiable disease.
- Surveillance and response to keep Scotland free of bovine TB.
- Helping to open export markets, and supporting ongoing exports of Scottish animals, fish and products.
- Support for the Scottish livestock industry's initiatives to tackle endemic disease.
- Monitoring and controlling animal disease threats to public health.
- Access to APHA's bee inspection database (BeeBase).

1.6 Risk Management

For an assessment of the agency's risk and issues, you should refer to the Governance Statement (pages 35 to 43) under the heading "*Assessment of Risks and Issues*".

Chapter 2 – Performance Report: Review of APHA’s Performance

Much of our work is determined by legislation which, in turn, is driven by policies to minimise disease risk in Great Britain and through working collaboratively with other countries, in the EU and across the world. Our Key Performance Indicators (KPIs) reflect the need to ensure compliance with this legislation and also reflect the particular and differing needs of our customers and our own business.

A new series of KPIs were developed in 2015/16. These include sophisticated KPIs that measure similar work that is performed across the animals, plants and bees Inspectorates such as those within Exports and Imports work areas. Minor enhancements were made to KPIs agreed with Scottish Government and Welsh Government for 2015/16 over those agreed for previous years. Our KPIs are summarised at **Annex A**.

There are a total of 24 KPIs agreed with policy customers and these measure all significant and important work areas including international trade, science, welfare and surveillance. 19 KPIs were met or exceeded, three were substantially met, one was partially met and one was not met.

Several new and legacy KPIs performed exceptionally well, sometimes in demanding circumstances. These include:

- Processing of the Export Health Certificates, that is measured within the new Exports KPI for both quality and timeliness, is undertaken in our Shared Services Centre (SSC) in Carlisle. Carlisle was severely affected by local flooding during January 2016. The recovery plan was immediately implemented and the flexibility and dedication of staff, some of whom were personally affected by the flooding, meant that the important service this KPI measures had minimal disruption.
- A significant improvement to the quality of exotic notifiable disease reports KPI compared to last year, when it was first introduced.
- Significant outperformance on the Scanning Surveillance KPI.
- A large reduction in the number of herds that have gone overdue within Wales, compared to the target level and in previous years.

2.1 Science Measures

A new series of science key performance indicators (KPIs) were developed with policy customers in 2015/16. The KPIs underpin the Defra Commission across priority areas by providing a science capability that delivers high quality and timely evidence through research, surveillance, lab testing and consultancy.

Service Delivery

- APHA will achieve 95% of agreed milestones and 100% of surveillance deliverables

Outcome: Achieved 100% milestones and 99.05% surveillance deliverables

Quality

- APHA will maintain its third party quality accreditations
- Outcome: All third party quality accreditations have been maintained
- Provide an assurance statement from the APHA Science Advisory Board

Outcome: APHA SAB met on 24th February 2016 to consider this based on evidence presented throughout 2015/16. SAB confirmed that they were content to assure the quality of APHA's science presented to them.

Efficiency/Added Value to Defra

- Amount of income delivered by customers other than Defra

Outcome: The total income is £34,559,340 of which £9,132,818 is Non-Defra income.

2.2 Better Regulation

The launch of Defra's five-year strategy supports the Government's continuing commitment for economic growth through the reduction of the regulatory burden on compliant businesses. For this strategy to become a reality there has been a portfolio of projects, with APHA as an integral partner, delivering measures designed to support the UK's food and farming industry. APHA has contributed by:

- Delivering a single helpline for farmers to contact both RPA and APHA.
- Leading a project across Defra to reduce duplication of farm visits as part of the government's commitment to cut red tape and free up valuable time for businesses.
- Improving the co-ordination of inspections across the Defra Network and from June 16 will implement a single inspection point to coordinate farm visits.
- Reviewing the latest technology to streamline the selection, coordination and delivery of farm visits.

The Small Business Enterprise and Employment (SBEE) Act requires Defra to have achieved significant deregulatory savings by May 2018. APHA have been reviewing processes to find ways to reduce the business impact of what we deliver to help Defra achieve the target whilst continuing to safeguard animal, plant and public health.

The Productivity Plan announced in July 2015, required Departments to work with regulators to publish Innovation Plans by spring 2016. Defra's Innovation Plan will capture the activities of the entire Defra family and APHA has assisted in describing

how it is adapting, supporting and dealing with emerging technologies that impact on our regulated community.

2.3 Open Data

In June 2015 the Secretary of State set out her vision for the role of open data in the future of food, farming and the natural environment. To deliver this vision Defra has established a Data Programme. The initial accelerator project aims to release 8,000 data sets from across Defra as open data by June 2016.

APHA has established a project and a team to discover, prepare and publish its contribution to the overall target. Potential datasets have been identified across the full range of APHA's business areas.

2.4 Our Day to Day Work

Our day to day activity covers a wide range of tasks for diverse customer groups. We engage with partners in industry and academia, with other government departments, laboratories and international partners to ensure we are able to deliver what is asked of us.

Managing Disease Outbreaks

Our top priority remained the control and eradication of animal and plant diseases and pests. During 2015/16 we have successfully responded to an outbreak of (H7N7) highly pathogenic avian influenza on a poultry unit in Lancashire in July 2015 and two cases of anthrax on a beef cattle farm in Wiltshire in October 2015, and a case of (H5N1) low pathogenic avian influenza on a broiler breeder unit in Dunfermline.

We have also continued to work with our customers to implement the lessons identified in previous outbreaks and exercises and to assess our capability and capacity to respond to an outbreak of notifiable exotic disease. This enables us to rapidly deploy staff on the ground, use our scientific and laboratory expertise, and make use of centralised teams to ensure that we are able to manage outbreaks efficiently and as quickly as possible. Our main priorities going forward are:

- Maintain and develop access to both the skills and capabilities required to deliver core business as usual services and outbreak response.
- Maintain national and international specialist veterinary and scientific capability and reputation.
- Ensure APHA readiness to respond to outbreaks.

Tuberculosis (TB)

Activities to control bovine TB (bTB) and progress toward eventually achieving officially bTB free (OTF) status for England and Wales remains the most resource intensive part of APHA's business. APHA advises on and delivers a complex set of control measures across Great Britain, differentiated according to bTB risk areas. We continue to carry out important research and development work to support our customer's development of bTB policies.

The key deliverables for 2015/16 have been associated with the eradication strategies in England and Wales with increases in both surveillance and breakdown testing and the expansion of actions to control the transmission of bTB transmitting from badgers to cattle in both countries. In Scotland APHA continued to support measures to ensure continued OTF status. The TB Enhanced Epidemiology Programme has been a key achievement in developing epidemiological delivery capability to the eradication programme. The key TB priorities for APHA were:

- To continuously improve the analysis of the ongoing epidemics in England and Wales and to produce standardised, comparable data to inform the control of disease and the management of risk.
- To continuously improve the training and quality assurance of testers responsible for the ongoing disease surveillance effort.
- To provide high quality veterinary and scientific advice that will result to gradual expansion of the OTF area of GB.
- To provide enhanced training to official and private veterinarians advising their client farmers on the prevention and control of disease.
- Be able to respond operationally to the frequent, adaptive change required by the eradication strategies.
- To respond to our customers' R&D needs in relation to developing cattle and oral badger vaccines for TB control.

Important achievement in 2015/16 include:

- Provision of robust evidence and expert advice to successfully defend the current eradication strategies against multiple legal and other challenges.
- In July 2015 we launched bTB³ - our interactive tool mapping bTB outbreaks in England over the previous five years was launched in July as part of the Government's 25-year strategy to eradicate bTB and is a response to the farming industry's wish to be better informed about local TB risks. It allows farmers, vets

³ <http://www.ibtb.co.uk/>

and the general public to access information on local bTB incidents and their status.

- The TB Surveillance Reports for England, Wales and GB which are published on our website⁴. We also helped develop a TB dashboard for Wales which is used by policy holders, the Chief Veterinary Officer for Wales (CVO Wales) and Ministers to track the progress of TB Eradication in Wales.
- A paper published by our TB researchers in collaboration with the Institut Pasteur crossed the coveted academic milestone of 1000 citations according to Google Scholar. The paper entitled '*A new evolutionary scenario for the Mycobacterium tuberculosis complex*' was published in 2002 in the Proceedings of the National Academy of Sciences of the United States of America and was underpinned by information that emerged from the *M. bovis* genome sequencing project that we led. This work disproved current thinking that humans had originally contracted TB from cattle. This work has also been used to develop *M. bovis*-specific tests including polymerase chain reaction (PCR) based assays and develop diagnostic tests for animals and humans that differentiate between TB infected and BCG vaccinated individuals (DIVA tests).

International Trade

The team at APHA's Centre for International Trade is based at Carlisle and is a multidisciplinary team of veterinary and administrative staff, who work closely with Defra policy colleagues to negotiate and protect access to new markets, whilst protect existing markets, for animals and animal products. The team provide Official Veterinarians and exporters with the advice, guidance and certificates needed to trade with the EU and third countries.

A key priority for the International Trade team was to work with Industry on the continued development of technology to further improve the certification process and allow electronic copies of certificates to be distributed in a secure manner; this in turn will facilitate the move from the use of Crown Gold paper.

Additionally the team worked with other government departments to continue to develop a 'One Stop Shop' for certification needs. Currently some exporters need to contact several government agencies to gain all the documentation necessary to export.

⁴ <https://www.gov.uk/government/publications/bovine-tb-surveillance-in-great-britain-2014> & <http://gov.wales/topics/environmentcountryside/ahw/disease/bovinetuberculosis/bovinetberadication/?lang=en>

Centre for International Trade (Bristol)

APHA is part of the UK Management Authority for CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora). We are responsible for administering the provisions of the Convention within the UK. CITES is an international agreement between 180 countries governments that came into force in 1975, covering 30,000 species of plants and 5,600 species of animals. The import, (re) export and use for commercial purposes gain of certain species requires a CITES permit. In 2015/16 APHA processed 15,535 CITES applications and issued 46,381 licences.

The Compliance Team acted on behalf of the Management Authority to deal with non-compliance issues relating to CITES and bird registration under Wildlife and Countryside Act Schedule 4, Section 7. APHA also continue to operate the bird registration system for Great Britain for Defra and a similar scheme for the Scottish and Welsh Governments.

Animal Welfare

A key part of APHA's work was to protect the welfare of farm animals, including during transportation and any killing that occurs outside of slaughterhouses. We conducted an annual risk based programme of welfare inspections under the EU cross compliance regime on behalf of Defra and Scottish and Welsh Governments; this risk based approach takes into account the earned recognition of animal keepers' membership of farm assurance schemes.

We also responded to complaints and reports of welfare problems in livestock through risk-assessed prioritisation of inspections. We regulate and approve animal transporters, approve and audit journey plans for longer journeys and work with operational partners such as local authorities to take appropriate action when non-compliance is disclosed. We continue to develop risk models that underpins and reflects our welfare work. In 2015/16 we improved our risk based approach to cross-reference our compliance visit selection, moving towards national consistency and an evidence based approach in the way we conduct visits to meat-producing/poultry farms and continue to improve coordination with operational partners and non-government organisations.

Plant Health

The Plant Health Team through APHA's Plant Health & Seeds Inspectorate (PHSI) implements and enforces plant health policy in England and Wales on behalf of the respective government departments. In 2015/16 we continued to deliver a world class inspection service. This has been for the inspection of controlled material coming into the EU through over 20 points of entry across England and Wales including Heathrow and Felixstowe. In doing so we have maintained our positions of

finding more prohibited organisms on imported material than any other EU country as well as finding over a quarter of all EU findings. Inland we also continued to find and take action on a significant number of quarantine pests including Tobacco whitefly (*Bemisia tabaci*), plus maintain quality certification schemes for cereals, potatoes, other propagation material and nursery stock. In line with previous years we are also on track to issue over 12,000 export certificates and inspected over 200 quarantine licenced premises.

Plant Varieties & Seeds

APHA Variety and Seeds Team deliver UK National Listing for agricultural and vegetable species, Plant Variety Rights and seeds marketing to meet Defra's obligation under National and European Union legislation and international treaties which provide a framework for registration of new varieties of the main agricultural and vegetable crop species (National Listing), plant variety rights and certification of seed. The objectives are to facilitate the breeding of improved varieties, provide farmers with information about variety performance and to assure the quality of marketed seed.

This framework fits very well with UK government objectives for a world-leading food and farming industry and thriving rural economy, through developing varieties with higher yields and better quality attributes, and by assuring the quality of marketed seed. Plant breeding can potentially contribute to a longer term cleaner and healthier environment, through developing varieties with increased disease resistance and improved resource use.

The Variety and Seeds Team manage a complex delivery network which includes the BSPB (British Society of Plant Breeders) and AHDB Cereals and Oilseeds (Agricultural and Horticultural Development Board). The National Listing is coordinated by APHA for the UK with SASA (Science and Advice for Scottish Agriculture), AFBI (Agri-Food and Biosciences Institute) and the Welsh Government. APHA co-ordinates seed marketing activity for England and Wales. The Variety and Seeds office is an Entrusted Office of CPVO (Community Plant Variety Office). This means we have a quality assurance standard enabling UK technical reports to be used throughout Europe. APHA provide the UK TLO (Technical Liaison Officer) to CPVO and the UK representative for the Editorial Committee and Technical Committee of UPOV (International Union for the protection of New Varieties of Plants).

We are also preparing for the new EU Fruit Directives in January 2017 which moves us from the current voluntary scheme to the new statutory scheme whilst keeping the changes cost neutral. We are also now implementing the new EU revised legislation for the Seed Potato Certification Scheme for England and Wales from January 2016.

National Bee Unit

APHA's National Bee Unit (NBU) delivers Statutory Bee Health Programmes on behalf of Defra and the Welsh Government under the 'Healthy Bees Plan'. The NBU also supports the Scottish government's programme, providing in particular advice to Scottish Government Policy and BeeBase/IT support. The NBU has been involved in the management and control of bee pests and diseases, along with underpinning research, training and dissemination of information to beekeepers for over 60 years.

Highlights for 2015/16 were a statutory risk based inspection programme of just over 30,000 colonies in over 6,100 apiaries, belonging to just under 4,000 beekeepers. This involved controlling the largest outbreak of foul brood disease for a decade and increased exotic pest apiary inspections around identified risk points of up to 2,400 apiaries, which focused our inspection effort around import of honey bee consignments. We also developed and introduced a brand new e-learning system for beekeepers to help them more easily recognise key honey bee pests and diseases. Other priority work has included:

- Extension of the Disease Accreditation Scheme for Honey bees (DASH), further professional bee farmers have been trained and assessed to manage disease themselves.
- Review of risk based inspection systems and exotic pest surveillance in line with the recent Defra and Welsh Government policy review of bee health.
- Completing the first annual census of bee hives in England, Scotland and Wales under the EU Apiculture programme.

GM Inspectorate

Defra is responsible for the control of the deliberate release of genetically modified organisms (GMOs) in England, and for national, EU and international policy on the environmental safety of GMOs.

During 2015/16 APHA's Genetic Modification Inspectorate (GMI) delivered an inspection and audit programme of GMO deliberate-release trials and holders of consents for release. This included post-trial monitoring of former release sites and auditing of associated former consent holders, on behalf of Defra's GM Policy and Regulation Team.

On behalf of the Varieties and Seeds Policy Team, the GMI undertook a programme of audits of seed importers and producers to seek to ensure industry is behaving responsibly in managing the risk of adventitious GM presence (AGMP) in seed. Additionally, the GMI dealt with: the attempted sale of unauthorised GM ornamental fish; AGMP in seeds of ornamental cotton; and AGMP in National List variety trials of oilseed rape. The GMI also assisted in demonstrating that test results indicating

AGMP in two varieties of oilseed rape marketed and sown in the UK were false positives. The Inspectorate also led a key work package under an EU-funded Framework Programme 7 project on 'Preparatory Action Towards a GMO ERA-Net' - delivering a prioritised list of research needs on the impacts of GMOs and forging important relationships with officials and academics in the UK and other EU Member States.

Research & Surveillance

APHA's research and surveillance provides the scientific evidence to develop and support animal health and welfare policies nationally and internationally. This work is delivered through portfolios. Key highlights in 2015/16 include:

Animal and Zoonotic⁵ Viral Diseases

- We successfully detected and responded to two avian influenza outbreaks. The low pathogenic H7N7 outbreak in February 2016 was not challenging and readily coped with; the high pathogenic H7N7 in July 2015 tested our laboratory contingency and the research data was pivotal in understanding how the virus was introduced and the downstream epidemiological investigation.
- Porcine epidemic diarrhoea (PED) was made notifiable in December. This followed an investigation by our scientists into an outbreak in the Ukraine in summer 2014. Our scientists carried out a process known as 'genome sequencing' which showed the virus to be closely related to strains reported from North America. It highlighted the threat to neighbouring countries of the Ukraine, where the virus had not been detected or caused disease in recent decades and where pig herds are largely native.

Bacteriology and Food Safety

- A new disaccharide diagnostic test for brucellosis developed by APHA was reported in the scientific press as the 'first major breakthrough in decades towards avoiding false positive serological reactions'; a GB priority since eradication.
- APHA scientists provided laboratory training and technical expertise to support implementation of locally adapted, sustainable programs for the reduction of the prevalence of brucellosis in West Africa and India. This followed completion of similar laboratory development to support control of mycoplasma and *Brucella* in

⁵ Zoonotic Diseases are diseases that normally exists in animals, but that can be transmitted to humans.

livestock in Afghanistan which was recognised by EU Animal Health Development Programme as a great success.

- We collaborated with Public Health England (PHE) and Oxford University to develop a whole genome sequencing AMR gene analysis pipeline, which includes more than 2000 genes and will be harmonised across the organisations. APHA also now has access to the PHE SnipperDB NGS analysis pipeline for Salmonella sequencing. This is a good step forward towards integration with PHE and the wider scientific community and sequencing in real time.
- Veterinary and scientific input has been provided to PHE in a number of zoonoses outbreak investigations with potential links to animal sources. This is acknowledged by them as instrumental to investigation and control and includes investigation of cases of VTEC O55, an emerging human illness, where a source has not been established. APHA scientists are developing a sensitive test for E. coli O55 in animals and the work was featured in a BBC documentary detailing the cross government efforts to investigate the source of this serious outbreak.
- Through our scanning surveillance we identified and discussed with relevant stakeholders (FSA, PHE etc.) an unusual antibiotic resistance to colistin (a last line human antibiotic) in enteric bacteria, recovered from clinically ill pigs. Coincidentally a paper was published in the Lancet which reported that a specific gene has been identified in China which confers resistance to colistin and is located on a plasmid and so can pass resistance genes to other bacteria. Using this information we immediately performed PCR on the isolates from the UK incident and found the same gene present. Rapid evidence was provided to VMD, all administrations and FSA to support incident response, antibiotic policy and communications for this novel finding before public release in December 2015.

New and Emerging Disease Surveillance

- The physical and virtual networks of expertise and delivery that make up the scanning surveillance system in England and Wales, led by APHA, resulted in identification, investigation and characterisation of 107 new and re-emerging threats (NRTs), of which 61 were present in Great Britain (GB). Information from non-APHA surveillance partners, horizon-scanning or non-submission data sources detected 53 of the 107 threats (50%). Of the 61 threats present in GB, a total of 41 (67%) were detected by post-mortem examination (PME) submissions to APHA, SAC-CVS or one of the five non-APHA PME providers. A further 13 threats were detected from analysis of scanning surveillance submissions data or non-PME submissions. Approximately half of all threats detected (56/107) were raised with the Veterinary Risk Group as either potential threats or points for information. The activities and outputs our surveillance programme encompass a

very broad range of people and organisations. Species Expert Groups act as a focus for veterinary investigation, collaborative surveillance intelligence gathering and analysis in their species, and for disseminating findings within APHA, with SAC, UK government policy officials and CVOs, vets in practice, British Veterinary Association (BVA) divisions, universities, the livestock sector groups, Agriculture and Horticulture Development Board (AHDB) and farmers. This leads to action at a range of scales, from industry-wide initiatives to individual farmers and vets adopting health planning and/or disease prevention, treatment or control measures on-farm.

Transmissible Spongiform Encephalopathies (TSE)

- APHA scientists have had input to meetings and visits with both Chinese and Hong Kong officials to help resume trade in sheep and beef meat products.
- Two BSE cases were confirmed in Britain in 2015, which will delay application for OIE Negligible BSE Risk Status (NBR) until 2020. Each case has been rigorously investigated by mouse typing bioassay and epidemiological investigation to determine the likely origin and phenotype so that we can provide the OIE with assurance that our surveillance system and feed controls are functioning effectively.

Wildlife

- There have been two high profile cases where invasive species action has been taken forward. The first involved capture of adult beavers living free on the River Otter in Devon. Aside from being a species not present in England they posed a risk of carrying *Echinococcus multilocularis*, which can be a risk to human health. In a five week project the beavers were captured, tested and found to be free from *E. multilocularis* and were released back into the River Otter under licence from Natural England. The second Investigation took place in Durham in December on an escaped raccoon. It resulted in the animal being captured, neutered and relocated to a local wildlife park.

2.5 Working in Partnership

Our aim has been to remain the provider of choice to our policy customers, ensuring we provide a complete service to deliver our plant, animal health and welfare policy. Responding effectively to outbreaks of exotic notifiable disease. As in previous years, we do our best to keep our customers abreast of any developments within the Agency in terms of structural and staff changes as well as projects which enhance service delivery.

This year the APHA project for fees relating to statutory services provided an opportunity to work collaboratively with Defra, Scottish and Welsh Government officials to develop proposals on the introduction of new or revision of existing fees.

This engagement has ensured a GB wide approach to progress to consultation of the developed proposals and ultimately new statutory instruments coming into force to a mutually agreed timescale.

We continued to offer an advisory service to policy customers in which we strive to inform the policy making process by providing recommendations on delivery options which are proportional to the needs and the priorities of the customer, and always offer best Value for Money.

We have also:

- *Defra*: APHA has delivered the department's data-sharing and communications agenda by facilitating the publication of descriptive TB Epidemiological Reports for the Edge and Low Risk areas of England. This publicises use of evidence and the application of our veterinary expertise in the delivery of disease control measures. We have also introduced the online 'ibtb' system allowing the public to view data pertaining to TB breakdowns in their area.
- *Welsh Government*: APHA has delivered the Welsh Government's 'Cymorth TB' initiative. This offers farmers in Wales a bespoke advisory service to support them during bTB breakdowns and afterwards, offering advice on biosecurity, farm management and cattle sourcing. It is a collaborative scheme delivered in partnership with the farmer's own Official Veterinarians.
- *Scottish Government*: APHA has implemented Scottish Government's delivery operational strategy for Official Veterinarians, delivering a rate increase in May 2015 with no disruption to service.

2.6 Capability

APHA maintain a key capability to respond to animal, pest and plant disease emergencies in the field across Great Britain. We also, through our reference laboratory function, support the management of several exotic notifiable diseases in Northern Ireland, the European Union and worldwide.

We provided advice on a wide range of plant, animal and public health policies for the different government administrations, and have the capability and commitment to deliver field activity through to specialist laboratory and scientific services.

We are continuing, with Defra, to review the agency's estate, which we began in 2014/15, to make sure it not only fully meets operational delivery requirements within 'business as usual' but also in the event of a disease outbreak, while minimising its cost.

Our top priorities remain to maintain and build our capabilities across the organisation are:

- In light of considerable changes to structures and ways of working, to ensure that we have an effective plan in place that improves our organisational resilience and response to emergencies.
- To make more use of flexible working, including considering the locations of people and where they need to work in order to do their job in the most effective and efficient way.
- To build skills in our key capability areas: leading and managing change, operational and veterinary delivery, scientific expertise.
- To improve the induction offer to new managers.

We have reviewed and developed contingency plans with our customers and key delivery partners, and we carry out regular exercises to ensure that they work well and are effective. Throughout 2015/16, APHA has continued to assess readiness, resilience capacity and capability. The internal Emergency Readiness Management Assurance Scheme (ERMAS) mechanism and the three year exercise programme has allowed staff to complete simulated tests of outbreak governance, processes, decision making and the mobilisation of services. In addition to a national FMD Vaccination table top exercise held in November 2015, APHA carried out 7 exercise events in 2015/16 to test contingency plans.

Contingency training and exercising for plant and bee health was again a key delivery area to prepare for exotic threats. This included desk exercises with Defra and Welsh Government policy teams to test response plans and inspector skills. For bee health this involved two field exercises on dealing with an outbreak of small hive beetle plus one desk top workshop on the Asian hornet. While for plant health regional training workshops were held for inspectors and policy colleagues.

ISO 17020 accreditation was again maintained for two plant health schemes (imports and plant passporting) and work has started on extending scope to include plant health surveillance and action, GM and bee health inspection.

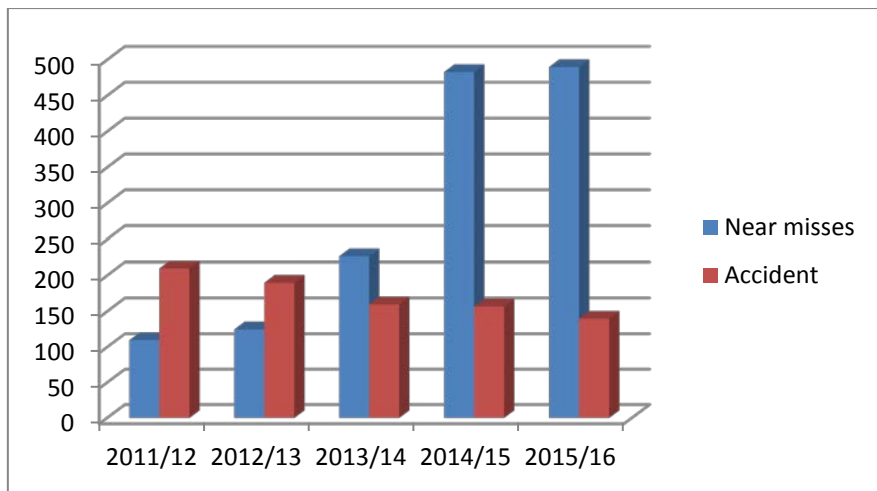
Improvements in diagnostic capability have also continued working with Fera Science Limited to improve the sensitivity and specificity of assays plus developing assays for field use on the OptiGene Genie platform. Plant health has also established a quarantine licenced laboratory within their Heathrow office for basic sample analysis.

2.7 Health, Safety & Wellbeing

Significant progress has been made in health, safety and wellbeing during 2015/16 and it has remained the top priority for the agency. However, there are still some legacy issues which are of concern in respect to the Weybridge site around previous under investment and poor maintenance. A huge effort has been made during the year to improve the performance of our facilities management supplier in respect of maintenance and the agency has been helped by Defra colleagues in Network

Corporate Services (NCS) in particular in addressing a large backlog of overdue jobs.

We have reliable indicators that legacy issues are being overcome in relation to safety culture. New and smarter systems, standards and ways of working are being established and embedded which is making an impact. The health and safety culture of the agency continues to improve and this can be seen by the increased reporting of near miss events to previous years. There have been no serious incidents during the year and reportable accidents are down to 3 (from 7 in 2014/15).



The Health and Safety Executive (HSE) have conducted lengthy investigations during the year in respect to 3 serious incidents that occurred during 2014. No formal enforcement action has yet been taken. HSE have made a number of routine inspections of our facilities and laboratories during the year. While HSE have identified a number of failings, none were so serious as to require the service of a formal Notice or a Crown Censure.

We have developed and introduced an integrated health and safety management system (Safeguard). This will allow for greater consistency and improved standards across the agency as well as providing better data and effective health and safety management. In particular we are connecting incident investigation root cause analysis, risk assessments, training and competence, audit and assurance, actions and all health and safety policies, standards and guidance.

We will continue to work towards our vision (to aspire to be a high performing organisation, to adopt good practice and lead in the sector) through our health and safety strategy and plan set out for 2016/17.

2.8 Working Sustainably

As part of a sustainable development strategy, the Civil Service encourages both companies and public bodies to disclose their sustainability and environmental

performance via their annual reports and accounts. During 2015/16 we remained committed to improving the environmental performance of our business operations, preventing pollution and, where practical, following best practice in environmental management.

The scope of the report is aligned to the Greening Government Commitments (GGC). The baseline figures used are amalgamated 2009/10 figures.

Performance Summary

By 2016, as part of the GGC APHA aimed to:

- Reduce greenhouse gas emissions from the whole estate and business related transport by 25%.
- Reduce the amount of waste we generate by 25%.
- Reduce water consumption and report on office water use against best practice benchmarks.
- Ensure that we buy more sustainable and efficient products and engage with our suppliers to understand and reduce the impacts of our supply chain.

Sustainability data

Year	2012/13	2013/14	2014/15	2015/16
GHG tonnes	20,762	21,098	22,429	21,550
Scope 1	11,512	11,413	10,338	8,656
Scope 2	8,073	8,522	10,727	11,336
Scope 3	1,177	1,164	1,364	1,558
Waste tonnes	1,826	1,477	1,777	1,274
recycled / reused	181	160	291	133
composted	2	2	2	2
incinerated with energy recovery	1,177	763	960	773
incinerated without energy recovery	414	501	476	334
landfilled	52	51	48	32
Water m3	203,149	204,975	204,348	171,221

GCC Targets

CO2 Reduction 2015/16 vs. baseline	Target 2016	Current performance
-2%	-25%	Behind target, Improved on baseline
Waste Reduction last 4 quarters vs. baseline	Target 2016	Current performance
-47%	-25%	Ahead of target
Water Reduction vs. baseline	Target 2016	Current performance
-8%	Improve on baseline	Ahead of target

Explanatory notes

Due to the scale of our Weybridge site it is a major contributor to our carbon footprint. This is in part due to the scale and nature of the work carried out on site. We remain committed to taking part in the Carbon Reduction Commitment to help us, along with Defra and our facilities management provider, in order to identify and review opportunities for improving energy efficiency.

Our procurement contracts are managed centrally by Defra which ensures contracts are handled through its Sustainable Operations and Procurement Strategy. The Defra procurement team works with suppliers of new contracts to minimise packaging waste, and consider sustainability more widely in their service provision.

2.9 Customer Service & Managing Complaints

On 30 September 2015, APHA, along with the Rural Payments Agency & Defra, launched the Rural Services Helpline, which offered customers of APHA and RPA in England a single point of contact for both agencies. The launch of this helpline and a new information page on GOV.UK marked an important step in achieving the objectives of Defra's five year strategy. It took just 10 weeks to deliver the helpline from inception. Whilst it settles in, on the whole it is working well with an average of 500 calls being answered per day.

In order to maintain good customer relations we aim to deal with any client dissatisfaction, however minor, at source as quickly as possible. If this does not satisfy the issue, clients may escalate their complaint to our Corporate Correspondence Team to consider. In 2015/16 we have handled 176 complaints across APHA 3 of which were not able to be resolved at the first level and had to be escalated to the Corporate Office to handle.

If they still require further answers then one of our more senior managers undertakes an Internal Review on behalf of the client. We have undertaken 3 Internal Reviews in 2015/16.

If a client is not satisfied with the outcome of an Internal Review then their next course of action would be to escalate their complaint to the Parliamentary Ombudsman. During 2015/16 two cases were escalated, one of which was resolved promptly following advice provided by the ombudsman. The other is still ongoing and is currently with our legal department for consideration.

We recognise there is always an opportunity to improve and during 2015/16 we are carrying out a full review our Complaints and Plaudits process, in order to measure its effectiveness, user friendliness, the extent to which it is followed and its level of compliance with quality standards. The project will take account of customers' views and opinions and look at best practice in other government departments and partner organisations. This will enable us to raise staff awareness and improve staff training where required.

Chris Hadkiss

APHA Chief Executive

14 July 2016

Chapter 3 – Accountability Report: Directors Report

3.1 Supporting our Success

Our People

APHA is committed to developing its people to meet the challenges we face. As an Executive Agency of Defra, we will embrace the objectives set out in the Defra People Strategy and Single Departmental Plan which will be endorsed by our Chief Executive as part of Defra Executive Committee. The strategy and plan will be used to steer Agency activity and focusses on 4 key strategic goals:

- Culture: Fostering a diverse, open and inclusive organisational culture.
- Capability: Developing a professional workforce with appropriate skills to deliver organisational priorities.
- Agility: Building a resilient and unified workforce.
- Talent: Growing a talented and engaged workforce.

Our Science

High quality science is at the core of the agency's work. The scientific evidence that we generate through our research and surveillance work supports new policy development, which in turn generates and defines the field work that we deliver.

Science highlights include:

- In October 2015 we published our refreshed APHA Science Strategy 2015-2020⁶, which reflects our much broader remit although still remains focussed on threat awareness, threat identification and threat mitigation. The strategy is underpinned by portfolio strategies in our key science areas and discipline capability plans, both of which ensure that we have the most appropriate scientific capability to deliver our customer requirements.
- APHA signed up to the Concordat on Openness on Animal Research. Signing the Concordat demonstrates a commitment to improve openness and transparency about the ways in which animals are used in scientific, medical and veterinary research in the UK.
- APHA responded to the Government call for experienced scientists to help the humanitarian crisis in West Africa caused by the outbreak of Ebola. Between October 2014 and April 2015 six members of staff each spent five weeks in Sierra Leone working in a Public Health England Ebola diagnostic laboratory near Makeni run by the International Medical Corps. A further four members of staff went out on 18th October 2015 to work at the Port Loko lab run by the charity

⁶ <https://www.gov.uk/government/publications/apha-science-strategy-2015-to-2020>

GOAL. In recognition Her Majesty the Queen awarded each volunteer a new medal, this is the first time a medal has been created specifically to recognise the responders to a humanitarian crisis.

- As part of Ebola contingency work we also put in place arrangements for the safe transport and quarantine of family pets of anyone in the UK showing signs of infection

APHA Scientific

APHA Scientific is the brand used to market goods and services to non-UK government and non-EU commission customers. APHA Scientific's commercial income was £9.01 million in 2015/16.

Vaccine Development and testing

Much of this work involved safety and efficacy testing of vaccines. The removal of routine coccidiosis inclusion in poultry feed has resulted in significant work on coccidia vaccines due to the Agency's skill base in this area. This work had an impact on protecting the health and welfare of animals and utilised the agency's core skills in virology and protozoology.

Biological reagent sales

APHA produces several hundred biological reagents for internal use and approximately 100 of these are made available for purchase by other laboratories. Many of these are unique and were purchased by national reference laboratories around the world. This helped to facilitate safe trade in animals and control of animal diseases by making high quality biological reagents available to veterinary laboratories in many countries. It also helped to reduce the unit cost of reagent production for APHA use.

Laboratory services

APHA's extensive range of laboratory tests were used by customers in many countries as part of their ability to detect and control animal diseases or as part of their certification system for export purposes. Pharmaceutical companies worked with APHA to check for contamination in their vaccine production system as part of quality control procedures prior to sale. This work used the agency's core skills in laboratory testing and virology while having an impact in helping to protect animal health and welfare. It also helped to keep testing volumes high and therefore reduced the unit costs of testing done for UK Government and farmers.

HerdSure

Since 2009 the agency has run a cattle health scheme called HerdSure to help farmers control six common cattle diseases. This filled a space in the market for all

herds, including commercial as well as pedigree and high health status herds. However, participation in the scheme was not as high as had been hoped with costs outstripping income. Along with a need to invest further in the computer system that managed HerdSure this led to the agency looking for a partner to run HerdSure in the future. In October 2015 most HerdSure customers moved to the combined HerdSure Premium Cattle Health Scheme run by SRUC in partnership with APHA.

Proficiency testing

During the year, the dedicated unit based at Sutton Bonington provided 145 proficiency testing schemes to APHA laboratories, of which 100 were open for other laboratories to join. During the year, 786 non-APHA laboratories from 62 countries participated in one or more scheme. This work helps to assure the quality of testing in participating laboratories, many of whom are trading partners, and ensures that the agency has access to a full range of schemes for its own use at a fraction of the commercial cost.

Wildlife work

The National Wildlife Management Centre based at York undertook commercial work for many customers in the UK and around the world. These included radar studies of bird movements around potential wind farm sites, immunological contraception work and wildlife management/survey projects. This work helps to cover the overhead costs of maintaining highly specialist skills for UK government work, helps to reduce risk to humans of wildlife activity and improves wild animal welfare.

Royalty income

The agency continues to exploit the Intellectual Property generated from its core activities. Much of the royalty income is from monoclonal antibodies used by diagnostic companies in test kit production but further developments of the intellectual property portfolio during the year involved further work on novel antigens for *Brucella* and potential vaccine strains of several animal pathogens. Ensuring that the discoveries made in APHA have a practical impact on disease control and animal welfare is the key aim of this aspect of the work. It also generates an income which is used to further develop the agency's science capabilities.

Chapter 4 – Accountability Report: Financial Review

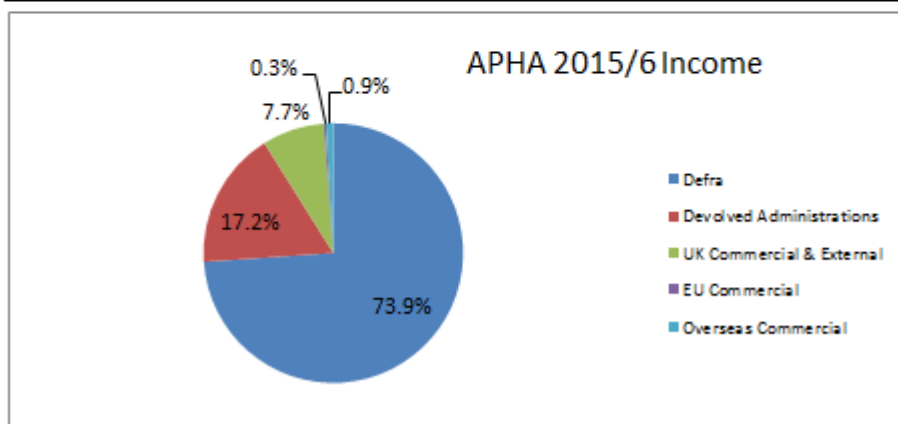
APHA is reporting net operating income of £1.6 million for 2015/16 and £20 million revaluation surplus. Total comprehensive expenditure for the year shows a gain of £22 million.

Income

The income for the Agency was £215.0 million in 2015/16. A review of statutory fees and charges has been undertaken and the outcome will be known during 2016/17.

The following table compares the proportional sources for 2015/16 and 2014/15:

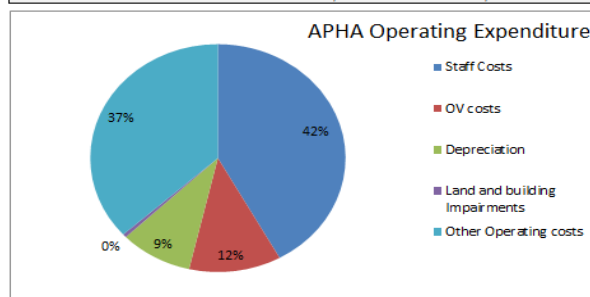
Income	2015/16		2014/15	
	£000	%	£000	%
Defra	158,896	73.9%	166,242	76.9%
Devolved Administrations	36,924	17.2%	35,106	16.2%
UK Commercial & External	16,651	7.7%	11,834	5.5%
EU Commercial	605	0.3%	947	0.4%
Overseas Commercial	1,895	0.9%	2,100	1.0%
	214,971	100.0%	216,229	100.0%



Costs

Total operating expenditure for the year of £213.4 million compares to £214.7 million for 2014/15.

Expenditure	2015/16		2014/15	
	£000	%	£000	%
Staff Costs	90,401	42.4%	86,283	40.2%
OV costs	25,170	11.8%	27,841	13.0%
Depreciation	19,799	9.3%	18,259	8.5%
Land and building Impairments	(1,047)	-0.5%	(98)	0.0%
Other Operating costs	79,040	37.0%	82,419	38.4%
	213,363	100.0%	214,704	100.0%



The staff cost for 2015/16 now includes the full year cost of the plant and bee inspectors that were transferred to the Agency in October 2014 and also includes exit costs of £958k along with a reduction in the staff leave accrual of £417k.

Official Veterinarian (OV) costs have reduced primarily as a result of new VDP contracts being implemented during 2015.

Depreciation

Depreciation increased by £1.5 million over the prior year as a result of revaluation of buildings at the Weybridge site and software capitalisation.

Capital

Capital expenditure of £9.8 million in the year on non-current assets primarily relates to buildings at the Weybridge site (£6.1 million).

Cashflow

Cash and cash equivalents have reduced from £38.5 million at 31 March 2015 to £36.8 million at 31 March 2016. APHA repaid Defra £76 million through the General Fund following temporary funding provided to the Agency to cover notional central charges (£46 million) and surplus cash held (£30 million).

In paying creditors, APHA aims to follow the principles of the Better Payment Practice Code in compliance with the Public Sector Payment Policy, and continues to adhere to the Government's initiative to pay 80% of undisputed invoices within five working days. For 2015/16 APHA achieved 98.6%.

Chapter 5 – Accountability Report: Statement of Accounting Officers Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed APHA 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 APHA and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the Statement of 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 financial statements.
- Prepare the financial statements on the going concern basis.

The Accounting Officer of Defra has designated the Chief Executive of APHA as Accounting Officer for the agency. 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 APHA's assets, are set out in Managing Public Money, published by HM Treasury.

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 entity's auditors are aware of that information. As far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware.

It is the Accounting Officer's responsibility to ensure that the annual report and accounts as a whole is fair, balanced and understandable and he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Chapter 6 - Accountability Report: Governance Statement

6.1 Introduction

As the Chief Executive and Accounting Officer, I am responsible for maintaining a robust system of internal control that supports the achievement of the Agency's policies, aims and objectives, while safeguarding public funds and departmental assets. This is in accordance with the responsibilities assigned in the HM Treasury's publication *Managing Public Money*.

This governance statement provides assurance on how I have discharged my responsibility to:

- Manage and control the resources for which I am responsible;
- Manage significant risks and
- Address key issues facing the Agency.

I am supported in my responsibilities by the Board, its various sub- committees and the Executive and Non-executive Directors as described below.

6.2 Governance Framework

APHA was formed in October 2014 through a merger of Animal Health and Veterinary Laboratories Agency (AHVLA) with parts of the Food and Environment Research Agency (FERA) responsible for plant and bee health to create a single agency responsible for animal, plant and bee health.

Board Governance

'Corporate Governance' is deemed to be the system by which an organisation is directed and controlled. I have ensured the APHA's corporate governance arrangements are designed to comply with the Code of Good Practice on Corporate Governance in central government departments. To fully comply with the Code the agency undertook a Board effectiveness review. The review saw many positives such as good communication amongst Board members and a culture of open and honest challenge. It was recognised that no Non-Executive Chair had been in post since October 2015 but this did not preclude the Board from providing assurance to the Chief Executive and the agency had received sufficient challenge on decisions taken by the agency.

APHA is a Net Running Cost (NRC) Executive agency of Department of Environment, Food and Rural Affairs (Defra). Governance arrangements are formalised within a Framework Document available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/365411/apha-framework.pdf

As an NRC Agency, a proportion of the overall GB budget previously provided by Defra has been devolved to the Scottish and Welsh Governments. The funding arrangements for APHA changed during 2015/16, whereby Defra use a

Commissioning model to procure services. However the Scottish and Welsh Governments continue to fund APHA through an invoicing system, based on deliverables through Service Level Agreements.

The Defra Chief Operating Officer acts on behalf of the Defra Board in all APHA ownership matters, providing line management to myself and assuring the Defra Board that appropriate governance arrangements are in place within the agency.

Support to this role is provided through regular performance reports and management information from APHA to Defra. There are also links via non-executive directors and functional areas such as finance, human resources and science.

As Chief Executive and Accounting Officer, I have personal responsibility and accountability to Parliament through ministers, and also to the devolved administrations in Scotland and Wales in relation to activities within their areas. The agency has not received any ministerial directions. In addition, I am responsible for the delivery of APHA services and resources. I am supported and challenged by the APHA Board, which until 30 September 2015 has been chaired by a Lead Non-Executive Director. Due to restructuring plans for Defra Agencies it has been decided to put the replacement of this position on hold until completion of this restructuring.

The Board receives regular information on finance and performance and other key matters affecting the Agency. Papers produced for the Board are owned by a presenting Director and this role includes ensuring information and data contained are robust and fit for purpose. The quality of this data is scrutinised and monitored by the Board, with major variances requiring detailed explanations. The Board also receives assurance on quality of information from Internal and External audit reviews.

Full details on our board remit and governance structure and attendance records can be found on GOV.UK⁷

One of the key Board Committees responsible for governance is the Audit and Risk Committee. Its principal role is to assist the Board in carrying out its oversight responsibilities in relation to financial reporting, internal controls and risk management. The Committee reviews and approves the Internal Audit programme and considers the reports and recommendations arising from the Internal Audit reviews. The Committee also has a responsibility for maintaining an appropriate relationship with our external auditor.

⁷ <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/our-governance>

The Committee is also responsible for providing advice to the Chief Executive in his role as Accounting Officer.

Throughout the year, the Committee has reviewed all areas within this governance statement, especially the key risks and issues facing the Agency. The Committee has also undertaken “deep dives” into the most significant risks facing the Agency, operational IT systems, health and safety, and transition to the Standard Operating Platform, to fully understand these risks and the adequacy of the mitigating processes. The Committee has provided challenge to directors and Internal Audit to improve standards of governance.

6.3 Internal Control Framework

The system of internal control within APHA is intended to provide reasonable, but not absolute assurances to me, and the APHA Board, that levels of risk are managed to an appropriate standard, through efficient, effective and economic processes and all major risks are mitigated to the best of APHA’s ability.

The system utilises a number of resources to confirm the adequacy of the control. In addition to the top level control demonstrated through the Defra Board and the governance arrangements within the agency, there are teams, structures and processes which play significant roles in specific areas as noted below.

APHA follow Defra policies where relevant, which includes the whistleblowing policy. The Operations Manual was updated for contact names and the profile of the whistleblowing policy was raised by inclusion of information in the staff newsletter.

Information Security

The Information Security Forum chaired by the Senior Information Risk Owner (SIRO) overviews information security to review:

- Any security events and incidents and identify emerging trends.
- Information security risks and their mitigation.
- Any audit findings and improvement plans.
- Security awareness broadcast messages.
- Suggested improvements to security procedures and advice

These activities form the core programme of work undertaken to maintain good information security management within the agency. The Information Security Team liaises with Digital, Data and Technological Services colleagues to ensure APHA risks are being mitigated, and to assess new systems.

There have been no serious breaches during the year.

Financial Management and Control

This continues to be reviewed by the Board and the Finance and Performance Committee through regular financial reports.

Internal Control and Quality Assurance (ICQA) self-certification returns have been completed by the budget holders every six months and Directors have all provided positive assurance statements to myself based on these returns. The Directorate Leadership Team and Audit and Risk Committee have reviewed and contributed to this governance statement.

In addition, there is assurance provided by the outsourced Shared Services Connected Limited (SSCL) on the accuracy, completeness and security of the data processed for APHA.

Performance Management

Staff performance management is conducted in line with the Performance Management policy, which is available to all staff and management through the intranet, and all staff have access to an HR Business Partner should the need arise.

Quality Management and the Quality Assurance Framework

The Agency has retained the following accreditations, certifications and regulatory approvals: ISO9001, ISO17025 and Pharmacovigilance. These have been inspected during the year and no major problems were encountered. All findings from the inspections have been resolved.

We have also maintained ISO17043, Good Laboratory Practice, Good Manufacturing Practice and Good Distribution Practice certificates. ISO17020 for the Plant Health and Seed Inspectorate was successfully migrated from FERA to APHA.

Independent Audit

Overarching all of the above within the internal control framework is the work undertaken by independent audit functions.

Internal Audit

KPMG provide the agency's internal audit function. They provide an overall independent opinion on the adequacy and effectiveness of the agency's internal controls based upon a 'Substantial' to 'Unsatisfactory' rating together with recommendations for improvement where necessary. An annual assurance statement is presented to the Audit and Risk Committee concerning the overall control framework, confirming internal audit assurance obtained through their review.

Based upon the evidence from their audits, KPMG have provided an overall 'Moderate' opinion for APHA's arrangements for governance, risk management and control, indicating that some improvements are required.

None of the final reports issued have been assessed as having limited assurance. Two draft reports have been issued with limited assurance and officers have yet to agree with the findings. Last year five reviews had limited assurance. Internal Audit are still in the process of fully completing their programme one further audit awaits completion.

My Corporate Governance team ensures all Managers implement recommendations agreed in a timely manner or report delays to the Audit and Risk Committee.

External Audit

The National Audit Office audits, on behalf of the Comptroller and Auditor General, APHA's statutory accounts and provides independent challenge to the Agency in governance, finance and effectiveness. A number of recommendations for improvement were made during 2014/15, which have been followed up during this year. Staff capacity within the finance team was a key factor contributing to these weaknesses and action has been taken to reduce use of Agency Staff and replace with permanent posts.

6.4 Assessment of Risks & Issues

Risk Profile

APHA exists to mitigate the risk to the economy and public health of notifiable animal and plant disease, with veterinary and scientific risks being primarily addressed through the policies the Agency executes and the operating procedures through which these are delivered.

However, as with any organisation, APHA also faces specific risks to its ability to operate efficiently and deliver its objectives. The agency has a risk management policy (which is due an update, once Defra guidance has been finalised) and a hierarchical identification and management process. Risk registers are maintained at appropriate levels within the organisation. Major risks are collated into the Corporate Risk Register by regular meetings of Directors, who manage the mitigation actions for these key risks. This risk register is also regularly reviewed by relevant Committees of the Board and Defra.

The Corporate Governance team facilitate the flow of identified risks within the agency hierarchy and highlight emerging and aggregated risks that are identified at lower levels.

Risk Effectiveness

The approach to managing risks within APHA continues to mature. Having reviewed the risk processes and made improvements, the processes now need to embed. Currently there are 12 risks in the corporate risk register, with the most significant risks areas noted below. All but the last risk are the same as for 2014/15.

<p>Affordability of the ask of the Agency within the funding available to the Agency.</p>	<p>There is uncertainty over future funding due to public spending reductions and funding from the Wales and Scotland devolved governments is also uncertain.</p>
<p>Introduction of SSCL – Single Operating Platform</p>	<p>The Single Operating Platform went live on 23rd May 2016. The agency is currently working with Defra and SSCL to internally manage some migration issues which has impacted on the agency’s ability to produce financial reports. This may delay the rollout of phase 2 which will see the introduction of Oracle Projects. This would mean the agency continue to use a legacy system which will not deliver all anticipated benefits of the Single Operating Platform as quickly as expected.</p>
<p>Reliance on legacy IT systems to meet business need</p>	<p>The various types of computer software on which several bespoke APHA operating systems are based are ageing, now outside of provider support and generally in need of replacement.</p> <p>There is a major transformation programme planned within Defra, including IT projects such as Unity, Digital Transformation and Data Programme. These have to be fully scoped and will be coordinated across the Defra family. Dedicated funding was secured by DEFRA under the Spending review and is</p>

	held centrally by Defra, and the agency is working to prioritise and agree replacements for business critical systems.
Impact of a significant safety incident or breach of Health and Safety or Specified Animal Pathogens Order (SAPO) Legislation.	Any breach may result in a Crown Improvement Notice or closure of facilities. APHA continues to work closely with Defra and the HSE to manage and implement continuous improvements to ensure compliance with Legislation at all APHA sites.
Animal Health Charging Project does not produce the expected income.	This project is behind schedule. It is reliant on political decisions which are beyond the Agency's control.

Significant Issues for APHA during 2015/16

The significant issues that have been identified during 2015/16 and the work undertaken on these issues are noted below.

Facilities Management

In previous years I have drawn attention to concerns about the quality of service provided to the Agency by the facilities management provider. These concerns have been escalated to the Defra Board and the contractual relationship is now being managed entirely by the central Department, with input from APHA. There has since been a marked improvement in the service received, although further progress is still required. There has also been a strengthening of management of the facilities management contract for APHA's Scientific and Laboratory Estate as a result of the adoption of recommendations arising from Internal Audit and National Audit Office investigations.

Organisational Reform

The Organisational Reform APHA Programme (formerly the Modernising Operations Programme) was established to address issues in operational delivery around the cost, quality of resilience, delivery, reliability and standardisation of outputs, flexibility and efficiency of operations. There are a number of key projects that will provide the following solutions; a new, more flexible and resilient structure, a resource model to understand the required staffing levels, an outbreak model that will ensure the Agency can deal with disease outbreaks and review of field instructions to improve these. The Veterinary Directorate, Operations Directorate and the Plant Health and Bee Inspectorate will merge into one delivery directorate.

A new structure has been developed and is being implemented in England and Wales with further discussions continuing in Scotland to identify the best solution. Grade 6 Managers have gone through an assessment exercise and have been appointed into the new structure (Scotland have a temporary structure in place). All Grade 7s and SEOs have also been assessed for future appointments. The implementation will then continue with the reorganising of the administration teams and rationalisation of estate.

The Programme Board remains in place to ensure governance is applied throughout Implementation.

Laboratory Services Review and Surveillance

The Surveillance and Laboratory Services Department (SLSD) transferred from the Operations to the Science Directorate on 1st April 2016. SLSD performs a diverse range of laboratory and veterinary services delivered from a network of 10 laboratory sites. Services delivered range from specific diagnostic and analytical tests through to expert consultancy and training. SLSD plays a significant role in facilitating trade and notifiable disease outbreak response for UK Governments.

SLSD under-recovered approximately £1.7m within its own APHA budget in this financial year. Members of the Laboratory Services Review Project Board are currently working with colleagues from across APHA to identify cost reductions along with possible options for sustainable, consistent and cost effective delivery of services from APHA. The intention is to implement a more effective system during 2016/17, whilst not increasing charges.

Spending Review Outcome

The Comprehensive Spending Review was announced in November. Defra will need to make resource savings of 15% in real terms by 2019/20, delivered through efficiencies within the Department and across its network. The Agency will need to contribute to these savings.

Plant Health Regulations 2014

During the year it was identified that we were not charging our customers in accordance with our Statutory Instruments. This has resulted in undercharging of income during 2015/16 of £1,077k. We are currently putting in place procedures to ensure that we rectify this issue going forward.

Operation of a Business Critical Model

APHA operates a business critical model for Defra. Exodis-FMD is a mathematical model for Foot and Mouth Disease (FMD) which was built specifically for Defra by Risk Solutions Ltd. The model forms a critical part of Defra and APHA's preparation

for and response to an outbreak of FMD. It predicts the shape and size of an FMD outbreak in GB in both time and space and can help to evaluate a range of control strategies. It is used to help appraise different strategies prior to as well as in the event of an emerging outbreak and to generate simulated outbreaks for use in training and readiness exercises. The outputs can be fed into Defra's Economic Consequences Model (ECM) and allow the extent of the outbreak and the costs associated with different outbreak scenarios to be calculated and compared. Defra does not own IP for this model and a maintenance contract is in place with Risk Solutions Ltd. and managed by APHA to ensure the model remains fit-for-purpose.

6.5 Conclusion

In conclusion I believe, from the assurances that I have received from the governance statements submitted by Directors, the Audit and Risk Committee, Board and both Internal and External Audit, that steps have been taken to improve the internal control framework, particularly in the areas of financial processes, health and safety and risk management, but recognise there is more to do.

Chris Hadkiss

APHA Chief Executive

14 July 2016

Chapter 7 – Accountability Report: Remuneration Report

7.1 Our Leadership

The Board

The Board is responsible for supporting and constructively challenging our Executive Committee in the development of strategies, plans, business cases and targets, and for monitoring our business performance targets.

Alexis Cleveland	Non-Executive Chair (1 April 2015 to 30 September 2015)
David Hughes	Independent Non-Executive Director
Quintin McKellar	Independent Non-Executive Director (1 October 2014 to 31 March 2016)
Nicola Spence	Chief Plant Health Officer, Non-Aligned Director
Nigel Gibbens	Chief Veterinary Officer, Non-Aligned Director
Chris Hadkiss	Chief Executive
Simon Hall	Veterinary Director
Helen Crews	Plant Health Director
Kirsty Shaw	Director of Service Delivery
Kath Webster	Director of Scientific Services
Claire Evans	Director of Corporate Service
Anne Tutt	Independent Non-Executive Member of Audit & Risk Committee (does not sit on the APHA Board)
Jill Moray	Defra HR Director with responsibility for APHA

Directorate Leadership Team

The Executive Committee (renamed Directorate Leadership Team) is responsible for the day-to day leadership and management and for ensuring that our strategic direction is appropriate to meet the requirements of our customers and to deliver our targets.

Chris Hadkiss	Chief Executive
Simon Hall	Veterinary Director
Helen Crews	Plant Health Director
Kirsty Shaw	Director of Service Delivery
Kath Webster	Director of Scientific Services
Claire Evans	Director of Corporate Service
Jill Moray	Defra HR Director with responsibility for APHA

7.2 Remuneration Policy

Defra's Senior Civil Service Pay Committee, chaired by the Permanent Secretary, determines the remuneration and performance conditions of the APHA Board members. Consolidated pay awards and non-consolidated bonuses are assessed in accordance with normal Civil Service procedures and Defra's remuneration policy which is subject to the recommendations of the Senior Salaries Review Body.

In reaching its recommendations on remuneration, the Senior Salaries 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 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.
- The Government's inflation target.

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

7.3 Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be made on merit on the basis of fair and open competition except for circumstances when appointments may otherwise be made.

With the exception of the Non-executive Directors the APHA Board members at 31 March 2016 hold open-ended appointments until they reach normal retirement age. The employment of the Chief Executive and of the other APHA Board members may be terminated in accordance with normal Civil Service procedures. Early termination, other than for misconduct, would result in compensation being payable as set out in the Civil Service Compensation Scheme. The Non-executive Directors are engaged on three year fixed term contracts which may be subject to early termination by either party.

The Non-Aligned Directors receive their remuneration from Defra, there is no cost to APHA.

7.4 Equal Opportunities and Corporate Social Responsibility

As part of the Defra People Strategy, we will:

- Enhance the visibility of under-represented groups across all grades and job types, to better reflect the society we serve.
- Improve social mobility across the Civil Service and embed the Talent Action Plan to enable everyone to reach their potential.
- Employee policies are reviewed by Defra on an annual basis.

Under the Equality Act 2010, APHA has a duty to take action to promote equality of opportunity, on grounds of disability, gender, race, age, gender-reassignment, marriage and civil partnerships, pregnancy and maternity, religion or belief and sexual orientation in policy-making, the delivery of services and employment.

APHA aims to be a diverse and inclusive agency that can attract and retain talented people from the widest range of backgrounds and offer all our employees equality of opportunity to progress and achieve their potential on merit. At March 2016 there were 64 female senior managers and 123 senior male managers, and 2 male Directors and 4 female Directors.

We participate the 'Two Ticks' recruitment system as part of this commitment, which guarantees an interview to any candidate who has declared a disability and meets the minimum essential criteria for the post. In addition, 'Unconscious Bias' is a mandatory e-learning course for all employees who recruit, interview and manage the performance of others, to raise awareness and support all of our employees in becoming diversity confident.

We actively consider temporary and permanent reasonable adjustments to enable every individual to be fully effective in their employment, training, career development and promotion. Disability leave is also available, which provides paid time off work for the purposes of assessment, treatment and rehabilitation for disabled employees.

Our Chief Executive is also our Diversity Champion and actively challenges APHA's managers ensuring the needs of all staff and prospective employees remain in sharp focus and support mechanisms are in place were required.

Sickness absence is closely monitored and policies are in place to reduce absence and to support people so that they can remain at work, including return-to-work interviews and occupational health advice. In addition to this, counselling information, training and advisory services are available through our contracted Employee Assistance Programme, or our internal Wellbeing Advisor.

During 2015/16 an average of 4.5 days per employee was lost to sickness absence across APHA, which compares to 5.3 in 2014/15.

7.5 Remuneration of Non-Executive Directors (Audited)

Name	Date of appointment	Period of appointment	Remuneration 2015/16 (£'000)	Remuneration 2014/15 (£'000)
Alexis Cleveland	Appointment ended 30 September 2015	12 months	0-5	0-5
David Hughes	01-Oct-14	22 months	15-20	15-20
Quintin McKellar ⁸	01-Oct-14	22 months	0-5	0-5
Anne Tutt ⁹	01-Nov-14	3 years	0-5	0-5

The appointment date shown for David Hughes and Quintin McKellar is the date of reappointment as non-executive directors for APHA, this was the continuation of their role as non-executive directors for AHVLA. Remuneration shown is for the whole of 2015/16.

7.6 Remuneration and Pension Entitlements (Audited)

The emoluments and pension entitlements of the APHA Board members in 2015/16 were as follows (2014/15 in italics):

	Salary Banding	Bonus Banding	Benefits in kind	Pensions Benefits ¹⁰	Total
	£'000	£'000	Nearest £100	£'000	£'000
Chris Hadkiss	130-135 (130-135)	10-15 (0)	0 (0)	67 (33)	210 - 215 (165-170)
Simon Hall	75-80 (75-80)	0 (0)	0 (0)	19 (13)	95 - 100 (90-95)
Helen Crews	70-75 (10-15) (FTE 70-75)	0 (0)	0 (0)	72 (36)	145 - 150 (50-55) (FTE 130-135)
Kirsty Shaw	90-95 (70-75) (FTE 85-90)	10-15 (0)	1,200 (1,000) (FTE 1,200)	62 (128)	160 - 165 (200-205) (FTE 215-220)
Kath Webster	75-80 (75-80)	0 (0)	0 (0)	28 (11)	100 - 105 (90-95)
Claire Evans	90-95 FTE 100-105 (100-105)	0 (0)	0 (0)	35 (38)	125 - 130 FTE 135-140 (140-145)
Directors on the APHA Board during 2014/15					
Joan Skerry to 3 Feb 2015	0 (70-75) (FTE 80-85)	0 (0)	0 (0)	0 (113)	0 (185-190) (FTE 190-195)
Glyn Hewinson Chief Scientist to 14 Apr 2014	0 (0-5) (FTE 65-70)	0 (0)	0 (0)	0 ¹¹ (0)	0 (0)

Emoluments include gross salary, bonuses and other allowances to the extent that they are subject to United Kingdom taxation. Remuneration and pension figures shown are for the whole of 2015/16 for AHVLA as well as APHA.

⁸ Quintin McKellar resigned from his appointment, due to other commitments, 31 March 2016

⁹ Anne Tutt's remuneration is paid through Defra payroll rather than APHA as she is also a member of the Defra Audit & Risk Committee

¹⁰ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase increases exclude increases due to inflation or any increase or decrease due to transfer of pension rights

¹¹ The pension benefits figure for Glyn Hewinson 2014/15 has been estimated, based on the last two years the benefit for two weeks would be significantly less than £500, and would round to £nil

Salary

'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.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

Pay Multiples

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. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the Cash Equivalent Transfer Value (CETV) of pensions.

The calculation is based on the annualised, full-time equivalent of staff in post as at the reporting date.

The banded remuneration of the highest paid director in 2015/16 was £140,000 to £145,000 (2014/15: Full time equivalent £130,000 to £135,000). This was 5.5 times (2014/15: 5.1 times) the median remuneration of the workforce, which was £26,087 (2014/15: £26,040).

Remuneration of staff in 2015/16 was in the range £16,450 to £144,040 (2014/15: £16,450 to £131,040). In 2015/16, no members of the workforce received full time equivalent remuneration in excess of the highest paid director in 2015/16 (2014/15: None).

7.7 Pension Benefits (Audited)

	Accrued pension at pension age as at 31 March 2016	Accrued Lump Sum at pension age as at 31 March 2016	Real increase in pension and related lump sum at pension age	CETV at 31 March 2016	CETV at 31 March 2015	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Directors on the APHA Board as at 31 March 2016							
Chris Hadkiss	100 - 105	0 - 5	2.5 - 5.0	1096	969	43	0
Simon Hall	35 - 40	70 - 75	2.5 - 5.0	527	470	17	0
Helen Crews	45 - 50	95 - 100	12.5 - 15.0	699	646	66	0
Kirsty Shaw	25 - 30	50 - 55	5.0 - 7.5	291	230	32	0
Kath Webster	45 - 50	0 - 5	0 - 2.5	544	478	22	0
Claire Evans	5 - 10	0 - 5	0 - 2.5	89	56	20	0
Directors on the APHA Board during 2014/15							
Joan Skerry to 3rd February 2015	0	0	0	0	759	0	0

CETV shown is the actuarially assessed capitalised value of pension benefits accrued by scheme members. This is calculated by Defra in accordance with the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

CETV at the 31 March 2015 has been restated where APHA has been advised of a corrected figure. The figure for Kirsty Shaw was £227k in the 2014/15 annual report.

The pension information for each member of the APHA Board shows the benefits each member has accrued as a consequence of their total membership in the Principal Civil Service Pension Schemes (PCSPS). This includes the value of benefits from other PCSPS employments, benefits transferred into the PCSPS from other pension schemes and additional pension benefit purchased by members at their own expense, as well as the benefit accrued from service in APHA. All funding, to finance the deferred remuneration that the accrued pension benefits represent, is paid to the Treasury. Further information on these pension schemes is provided in Note 4 in the Statement of Accounts.

No amounts have been paid during the year in respect of compensation or awards to former senior managers.

7.8 Review of Tax Arrangement of Public Sector Appointees

As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arms length bodies must publish information on highly paid and senior off payroll engagements. The following data is required to be reported.

- Off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months

Number of existing engagements as of 31 March 2016	8
Of which:	
Number that have existed for less than one year at time of reporting	2
Number that have existed for between one and two years at time of reporting	5
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	1
Number that have existed for four or more years at time of reporting	0

- Off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months .

Number of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	5
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	5
Number for whom assurance has been requested	5
Of which:	
Number for whom assurance has been received	5
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received	0

- Off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016

Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	0
Total number of individuals on payroll and off payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both on-payroll and off-payroll engagements	13

As far as I am aware, as the Accounting Officer for APHA, there is no relevant audit information of the agency’s auditors are unaware. I have taken all steps possible to ensure that all required information has been supplied to the auditors. The accounts are audited by the Comptroller and Auditor General for which the agency incurs a notional charge of £200K for 2015/16 (2014/15 £200K).

Chris Hadkiss

APHA Chief Executive

14 July 2016

Chapter 8 - Accountability Report: Parliamentary Accountability Report

8.1 Regularity of Expenditure (Audited)

The Accountable Officer and the APHA board are able to identify any material irregular or improper use of funds by the department, or material non-compliance use of funds.

There have been no instances of material irregularity, impropriety or funding non-compliance discovered during the financial year. If any instances are identified after the date of this statement, these will be notified to the APHA board and to DEFRA.

8.2 Fees and Charges (Audited)

APHAs fees and charges are approved by ministers, and then set in Statute. Our objective for charging is to ensure that we recover our costs for delivering the service. There has been a phased introduction to ensure that we recover our costs in full.

There were no areas identified in the year where we have overcharged. However, we have identified some areas within the Plant Health Regulations where we have undercharged our customers by £1.1m due to not charging for all elements of the service provided. The table below sets out the amount of income we have received across the different areas of service APHA provide.

	Total income received £'000	Total estimated expenditure £'000
Animal Health Regulations 2013	1,261	1,261
The Plant Health Regulations 2014	7,940	9,017
The Disease of animals (Approved Disinfectants) 2011	266	266
The Poultry compartments order 2010	46	46
The Welfare of Wild Animal in Travelling Circuses 2012	5	5
Wildlife and countryside act 1982	18	18
TOTAL	9,536	10,613

When APHA fees are set, all costs are taken into account to provide the service to ensure that our income covers all our costs. As such our expenditure has been estimated as our income received plus the undercharged income.

8.3 Remote Contingent Liabilities

APHA do not have any remote Contingent Liabilities in 2015/16, this was the same in 2014/15.

8.4 Losses and Special Payments (Audited)

Special Payments	2015/16	2014/15
Cases	7	6
Cost (£'000)	(168)	154

Special payments relate to legal costs and the settlement of any claims against APHA. The credit balance relates to release of provisions relating to special payments that were less than provided for or no longer required.

Losses	2015/16	2014/15
Cases	18	75
Cost (£'000)	133	32

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 Animal and Plant Health Agency for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, 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 and Parliamentary Accountability disclosures that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer 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, certify and report on 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 Animal and Plant Health Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Animal and Plant Health Agency; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Animal and Plant Health Agency's affairs as at 31 March 2016 and of net 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 directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration Report and Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Foreword, Performance Report, Accountability Report and Annex A 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration Report and Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and 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.

Sir Amyas C E Morse
Comptroller and Auditor General

14 July 2016

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Statement of Comprehensive Income for the year ended 31 March 2016

ADMINISTRATION COSTS	Note	2015/16	2014/15
		£'000	£'000
Staff Costs	4	90,401	86,283
Other Administrative Costs			
Official Veterinarian Costs	5	25,170	27,841
Other Operating Costs	5	97,792	100,580
		<u>213,363</u>	<u>214,704</u>
Operating Income	6	(214,971)	(216,229)
Net Operating Expenditure / (Income)		<u>(1,608)</u>	<u>(1,525)</u>
Non-operating gain from Transfer of Function	2	-	(652)
Non-operating loss on transfer of assets	2	-	13,884
Total Comprehensive Net Expenditure / (Income)		<u>(1,608)</u>	<u>11,707</u>
OTHER COMPREHENSIVE EXPENDITURE			
Net gain on revaluation of Property, Plant and Equipment	15	(20,186)	(76,932)
Net gain on revaluation of Intangibles	15	(476)	(374)
Total Comprehensive Expenditure / (income) for the year ended 31 March 2016		<u>(22,270)</u>	<u>(65,599)</u>

All income and expenditure is derived from continuing operations.

The notes on pages 60-88 form part of these financial statements.

Statement of Financial Position as at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
Non Current Assets			
Property, Plant and Equipment	7	273,078	257,151
Intangible Assets	8	37,587	44,673
Total Non Current Assets		310,665	301,824
Current Assets			
Inventories		2,071	3,999
Trade and Other Receivables	10	4,619	43,431
Other Current Assets	10	8,503	10,741
Cash and Cash Equivalents	11	36,806	38,508
Total Current Assets		51,999	96,679
Total Assets		362,664	398,503
Current Liabilities			
Trade and Other Payables	12	(4,614)	(7,446)
Other Liabilities	12	(18,783)	(48,652)
Provisions	14	(2,406)	(3,127)
Total Current Liabilities		(25,803)	(59,225)
Total Assets less Current Liabilities		336,861	339,278
Non Current Liabilities			
Lease Obligations	13	(659)	(1,472)
Provisions	14	(1,098)	(1,347)
		(1,757)	(2,819)
Assets less Liabilities		335,104	336,459
Taxpayers' Equity			
General Fund		216,086	230,765
Revaluation Reserve	15	119,018	105,694
Total Taxpayers' Equity		335,104	336,459

The notes on pages 60-88 form part of these financial statements.

Statement of Cash Flows for the year ended 31 March 2016

	2015/16 £'000	2014/15 £'000
Cash flows from operating activities		
Net Operating Income	1,608	1,525
Adjustments for non-cash transactions	65,194	18,484
(Profit) / Loss on disposal of non current assets	(83)	526
Decrease in trade and other receivables	41,050	2,114
Decrease in inventories	1,928	1,775
Decrease in Trade and Other Payables	(32,701)	(25)
<i>IFRIC 12</i> IBM Asset Movement	221	(147)
Use of provisions	(970)	1,704
Net Operating Costs excluding Notional and Non-Cash Costs	76,247	25,956
Non-Cash Adjustments	4,273	(834)
Net cash outflow from operating activities	80,520	25,122
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,233)	(2,159)
Purchase of intangible assets	(2,910)	(3,970)
Proceeds from the disposal of non current assets	2,753	53
Net cash outflow from investing activities	(5,390)	(6,076)
Cash flows from financing activities		
Net cash requirement received / (Paid) from Defra	(76,019)	(10,000)
(Decrease) / Increase in non current lease obligations	(813)	31
Net financing	(76,832)	(9,969)
Change in Cash and Cash Equivalents		
At 1 April	38,508	29,431
(Decrease) / Increase in cash	(1,702)	9,077
At 31 March	36,806	38,508

The notes on pages 60-88 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	Note	General Revaluation Fund £'000	Reserve £'000	Total Reserves £'000
Balance at 1 April 2014		236,163	45,112	281,275
Transfers between reserves	15	16,724	(16,724)	-
Non-Cash Charges - notional charges	5	323	-	323
Non-Cash Adjustments		(738)	-	(738)
Total Comprehensive Net Expenditure for the Year		(11,707)	-	(11,707)
Net Gain/(Loss) on Revaluation of Assets		-	77,306	77,306
Parliamentary Funding Received		10,000	-	10,000
Parliamentary Funding Repaid		(20,000)	-	(20,000)
Balance at 31 March 2015		230,765	105,694	336,459
Transfers between reserves	15	7,338	(7,338)	-
Non-Cash Charges - notional charges	5	46,442	-	46,442
Non-Cash Adjustments		5,952	-	5,952
Total Comprehensive Net Income for the Year		1,608	-	1,608
Net Gain/(Loss) on Revaluation of Assets		-	20,662	20,662
Parliamentary Funding Received		-	-	-
Parliamentary Funding Repaid		(76,019)	-	(76,019)
Balance at 31 March 2016		216,086	119,018	335,104

The notes on pages 60-88 form part of these financial statements.

Chris Hadkiss

APHA Chief Executive

14 July 2016

Notes to the Accounts

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2015/16 Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies in the FReM adapt and interpret International Financial Reporting Standards (IFRS), for the public sector and comply with the guidelines issued by the International Financial Reporting Interpretations Committee.

Where the FReM permits a choice of accounting policy, these accounts follow the treatment which is most appropriate to give a true and fair view for APHA. The policies adopted by APHA are described in this statement. These policies have been applied consistently in dealing with items that are considered material in relation to the accounts.

Administration and Programme Expenditure

The FReM requires APHA to analyse the income in the Statement of Comprehensive Income (SoCI) between administration and programme income. The agency is run on a net running cost basis and the figures in the accounts of APHA are charged wholly to Defra's administrative budget with the exception of movements in provisions, which are considered to be annually managed expenditure but owing to materiality this has not been analysed separately.

Significant Judgements and Estimation Uncertainty

In the preparation of financial statements APHA is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events.

The following areas represent significant judgements that APHA has made in applying the accounting policies:

a. Key Judgement:

Depreciation and Amortisation

Non-current assets are depreciated and amortised over the deemed useful economic life for the asset, these are shown in note 1.8.

b. Key Estimates

Indexation Rates

Non-current assets are valued at current replacement cost as described in notes 1.4 and 1.5. Indexation rates published by the Office for National Statistics are used as a basis for estimating current replacement cost.

Accrued Official Veterinarian Costs

The value of tests undertaken by Official Veterinarians prior to the reporting date where test results have not been received by that date, are estimated based upon the volume of tests allocated to Official Veterinarians in March and historical test costs.

Project Accruals and Deferred Income

APHA is responsible for managing scientific projects and the income received and expenditure incurred on each. Projects may span more than one financial year and the preparation of the financial statements requires APHA to determine, based on an evaluation of the terms and conditions of the arrangements, that it fully and accurately reflects the completeness of any accruals or deferred income by reference to the stage of completion of ongoing projects.

Valuation of Land and Buildings

APHA is required to revalue land and buildings every five years. The last valuation was carried out in the year ended 31 March 2015. A desktop valuation was carried out in the year ended 31 March 2016. The valuation is carried out under a contract that is let and managed by Defra which also covers assets of agencies of Defra. Although the valuations are undertaken by a professional valuer, applying the principles recommended by Royal Institution of Chartered Surveyors (RICS), they are, by their nature estimates. The true value of land and buildings will only be known when the assets are sold on the open market.

1.1 Accounting Convention

These accounts have been prepared on a going concern basis under the historical cost convention, modified for the revaluation of non-current assets and liabilities, to a fair value, where material.

1.2 Income Recognition

Income is credited to the SoCI on an accruals basis when the work that generates that income is provided.

1.3 Funding Recognition

APHA receive cash from Defra, Devolved Administrations and Commercial Income. This is recognised in note 6 and the SOCI.

1.4 Property, Plant and Equipment

Assets are capitalised as tangible non-current assets in the month expenditure is incurred if they are intended for use on a continuing basis and their original purchase cost, on an individual or grouped basis, is £2,000 or more.

APHA occupies both specialist laboratory and non-specialist administrative accommodation. Although ownership of both types of property lies with Defra, as APHA derives direct economic benefit from the specialist accommodation, which allows for the charging of tests and research, these properties are included in the SoFP of APHA. The split of this disclosure is made on a site by site basis and includes sites where APHA has enhanced a property originally held by Defra under the terms of an operating lease in order to bring that property to a condition fit for purpose for APHA's operations.

Non-specialist administrative accommodation does not provide APHA with any economic benefit and these are treated and disclosed as Operating Leases.

Title to the freehold land and buildings shown in the accounts is held as follows:

- (i) All freehold land and buildings comprising the farms attaching to the main laboratory site at Weybridge are held in the name of the Secretary of State for Environment, Food and Rural Affairs;
- (ii) All freehold land and buildings at the main laboratory site at Weybridge and at any of the Regional Laboratories are Civil Estate property.

Freehold land and buildings are stated at fair value and are professionally revalued at least every 5 years at Depreciated Replacement Cost (DRC), in accordance with guidance issued by the Royal Institution of Chartered Surveyors (RICS), the last revaluation having taken place in 2015 by Montagu Evans, which covered all freehold land and buildings. Property values are revised annually by means of a desk top review undertaken by Defra's appointed valuer, where every valuation is reviewed having regard to local and national indices and local knowledge. This professional independent valuation adheres to the principles outlined in the RICS Red Book. The only exception to this revaluation are the properties that are occupied as part of an operating lease through Defra, and where the agency has invested considerably over time to bring that property to a fit for purpose condition.

The value of Non property tangible assets is revised monthly to current replacement cost, which equates to fair value, by using appropriate indices provided by the Office

for National Statistics. Any permanent upward revaluation is credited to the Revaluation Reserve. A deficit on revaluation is debited to the SoCI if the deficit exceeds the balance held for previous revaluations of the relevant asset in the Revaluation Reserve.

Subsequent expenditure is capitalised if the criteria for initial capitalisation are met, if it is probable that economic benefits will flow to APHA, and that the cost of the expenditure can be reliably measured.

Assets in the Course of Construction are not depreciated or revalued until the asset concerned is brought into service. Tangible Assets in the Course of Construction mainly relate to Buildings.

1.5 Intangible Non-Current Assets

Intangible assets comprise: Software licences, which are valued at historic cost; and internally generated software, including assets in the course of construction, which are regularly revalued by using appropriate indices provided by the Office for National Statistics. Software licences are capitalised where the licence period is for more than one year and the cost is greater than £500. Software licences are amortised over the term of the licence or their useful economic life, if shorter.

Assets in the Course of Construction are not depreciated or revalued until the asset concerned is brought into service. Assets in the Course of Construction usually relate to internally developed computer software and systems costing in excess of £50,000, the cost of the asset includes capitalisation of contractor costs.

1.6 Research and Development

APHA's expenditure on research activities is written off to the SoCI as it is incurred in view of the uncertainty surrounding the economic benefit resulting from it. The Agency carries out research into animal related diseases on behalf of Defra. Capitalisation of development costs is contingent on fulfilling the criteria in IAS 38 (Intangible Assets).

1.7 Service Concession Arrangements (IFRIC 12)

Defra has entered into a contract with IBM for the supply of IT services, and APHA is party to this contract. The contract is for a term of eight years from February 2010. The contract falls within the scope of IFRIC 12 and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value of payments to IBM to lease IT infrastructure assets throughout the duration of the 8 year contract. A matching asset has been raised to reflect the benefit that APHA will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with APHA's depreciation policy.

These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

1.8 Depreciation and Amortisation

Depreciation is provided on all non-current property, plant and equipment assets other than land. The rates applied are calculated to write off the cost or value of each asset on a straight line basis over its expected useful life.

Buildings	5 - 60 years
Office Equipment and Furniture	5 - 15 years
IT Assets	2 - 20 years
Plant and Motor Vehicles	5 - 15 years
Scientific Equipment	5 - 10 years

A full month's depreciation is charged to the SoCI in the month of acquisition and not depreciated in the month of disposal.

Amortisation of Intangible Assets commences when the developed asset is fully brought into use and is based on a systematic allocation over the period during which the agency is expected to benefit from the use of the intangible asset. Asset lives are typically in the range of 1-20 years. The Agency does not hold any intangible assets with an indefinite useful life.

1.9 Impairment

APHA reviews its assets once each year to identify those where the recoverable amount of assets falls below their carrying amount, as a result of either a fall in value owing to market conditions or a reduction of economic benefit.

In line with an adaptation in the FReM, any loss of economic benefit is recognised in full as expenditure in the SoCI. In order to align the balance in the revaluation reserve with that which would have resulted through strict application of IAS 36, an amount up to the value of the impairment is credited to the SoCI for the individual assets concerned. Downward revaluations, resulting from general changes in market value, are charged against the accumulated balance in the revaluation reserve. Any amount in addition to this is recognised as impairment and recorded in the SoCI.

Where an asset has been impaired in a prior year revaluation, and a subsequent revaluation increases the value of the asset; the increase in value is charged to the SoCI in so far as it offsets the prior year impairment.

1.10 Inventories

Inventory, which consists of Veterinary and Scientific Consumables and stocks of both raw and finished Reagents, is stated at the lower of cost and net realisable value.

1.11 Value Added Tax (VAT)

APHA is covered by Defra's VAT registration. Output VAT generally does not apply, except as specified in HM Treasury (Contracting Out) Direction and HM Treasury (Taxing) Direction. Costs are shown inclusive of VAT where not recoverable.

1.12 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash held with UK banks at the reporting date. Bank accounts are held within the Government Banking System.

1.13 Hard Charges and Notional Charges

Defra provides a number of services centrally and the cost of these is shown as hard or notional charges. The value of both hard and notional charges is determined by Defra. Further details are provided in note 5.

1.14 Employee Benefits

a. Pensions

Pension arrangements are described in note 4 to the accounts. Pension contributions are charged to Operating Expenditure on an accruals basis.

Pension benefits are provided through the civil service pension arrangements, full details of which can be found in the Remuneration Report and in note 4.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory, except in respect of dependents' 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 the 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.

A new pension scheme, alpha, was introduced on 1 April 2015. The majority of Principal Civil Service Pension Scheme members (includes classic, classic plus,

premium and nuvos) will now have moved to alpha. Most new members will also join alpha.

b. Other Employee Benefits

APHA recognises a liability and expense for all employee benefits, including unused annual leave accrued at 31 March 2016.

c. Early Departure Costs

The agency is required to meet the additional costs of benefits beyond the normal PCSPS in respect of employees who retire early. The agency provides in full for this cost when the early retirement programme has been announced and is binding on the agency. Although the Early Departure Provision for additional pension costs is a liability of APHA, it is actually paid by Defra

1.15 Financial Instruments

The agency holds a range of financial instruments, aggregated into classes based on their nature. The majority of these relate to contracts for non-financial items in line with the APHA's expected purchase and usage requirements and the agency is not exposed to significant credit, liquidity or market risk. As a result of the low risk there is no requirement to disclose in terms of IFRS 7, Financial Instruments: Disclosures.

1.16 Provisions, Contingent Liabilities and Assets

In accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, APHA provides for its obligations arising from past events where a reliable estimate of the obligation can be made and it is probable that the obligation will require settlement.

In addition to contingent liabilities disclosed in accordance with IAS 37, the Agency discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote.

A contingent asset is disclosed where an inflow of economic benefits is probable.

1.17 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. If a leasing arrangement is in force for a substantial period of the useful expected life of the asset, then the lessee is assumed to carry all of the risk. An operating lease is a lease other than a finance lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to

use the asset. APHA evaluates contractual arrangements in accordance with the above criteria as laid down in IAS 17.

Operating leases and the rentals thereon are charged to the SoCI on a straight-line basis over the term of the lease. Where APHA occupies a property that is leased by Defra, there is a future commitment that is consistent with arrangements containing a lease as defined by IFRIC 4.

APHA has no finance leases other than an imputed finance lease commitment. See note 1.7 for details relating to the IBM Right of use service concession arrangement (IFRIC 12).

1.18 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into sterling using the rate of exchange at 31 March 2016, or where appropriate, the rate of exchange fixed under the terms of the relevant transaction. Transactions in foreign currencies are translated into sterling using the rate at the date of the transaction. Differences on translation are written off to the SoCI.

1.19 Impending Application of Newly Issued Accounting Standards Not Yet Effective

The FReM does not require the following Standards to be applied in 2015/16 as they are still subject to FReM interpretation and therefore early adoption is not yet permitted. These standards have not been applied in preparing the financial statements.

- IFRS 9: Financial Instruments. Application of this standard is required for accounting periods beginning on or after 1 January 2018.
- IFRS 15: Revenue for Contracts with Customers. Application of this standard is required for accounting periods beginning on or after 1 January 2017.
- IFRS 16: Leases. Application of this standard is required for accounting periods beginning on or after 1 January 2019.

2 Non-Operating Gain from Transfer of Functions and Non-Operating Loss from Transfer of Assets

With effect from 1 October 2014 the activities of the FERA: Bee Inspectorate, Plant Health and Seeds Inspectorate, Plant Varieties & Seeds Group and the GM Inspectorate were merged with AHVLA to create APHA. The value of the assets transferred from FERA had a net benefit to APHA of £652k.

In 2014/15 APHA transferred surplus land and buildings to Defra. The six assets were located at: Truro, Preston, Bristol, Winchester, Stratford and Aberystwyth. The value of assets transferred to Defra has a net loss to APHA of £13,884k

3 Operating Segments

a. Income and Expenditure

Region/Sector	Actual Income £'000	Actual Expenditure £'000	Surplus/ (Deficit) £'000
Field Operations	85,087	85,087	-
Science	25,860	25,860	-
Veterinary	4,052	4,052	-
Plant Health & Seeds	13,799	13,799	-
Outbreak	1,356	1,356	-
Corporate Centre, Hard Charges, Depreciation and Amortisation	84,817	84,256	561
	214,971	214,410	561
Revaluation deficits / (surpluses) not covered by previous revaluation surpluses and increases in provisions	-	(1,047)	1,047
Totals	214,971	213,363	1,608

The table summarises the Management Accounts prepared by APHA during the course of 2015-16 and is split in terms of operations.

b. Gross Assets

An allocation of Gross Assets is not provided to the Chief Operating Decision Maker (APHA Board) on a regular basis and accordingly no analysis is provided here.

c. Interest

The Agency had no interest revenue or expense.

d. Liabilities

The APHA Board does not require an analysis of liabilities by segment for the purposes of allocating resource or assessing performance. Accordingly no analysis is included in these accounts.

4 Staff Numbers and Related Costs

	2015/16	2014/15
	£'000	£'000
Salaries	67,581	66,184
Employer's National Insurance Contributions	5,122	5,034
Employer's Pension Contributions	13,756	12,186
	86,459	83,404
Contractor Costs	3,401	3,016
Staff Exit Costs	958	-
Staff Leave Accrual	(417)	(137)
	90,401	86,283

APHA has no consultancy spend for the year ended 31 March 2016.

Contractor costs have been separately identified as they are not employed staff and are not included in the table of average number of full time equivalent staff.

In addition to the costs shown above, Contractor Costs of £1,741k (2014/15: £1,771k) have been capitalised. These are included within the additions to IT Software and Assets in the Course of Construction shown in Note 8 – Intangible Assets.

Under IAS 19 Employee Benefits an accrual has been established for staff leave due, but not taken at 31 March 2016, this employee benefit payable in 2016/17.

a. Pension Contributions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but APHA is unable to identify its share of the underlying liabilities. The Government Actuary's Department assesses the scheme liabilities, assumptions and financial position each year. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation: (<http://www.civilservicepensionscheme.org.uk/>).

In 2015/16, employer's contributions of £13,492k were payable to the PCSPS (2014/15: £11,969k) at one of four rates in the range 20.0% to 24.5% of pensionable pay based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2015/16. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. A new pension scheme, alpha was introduced from 1 April 2015.

Employees can opt to open a partnership pension or a stakeholder pension with an employer contribution. Employer's contributions of £256k (2014/15: £207k) were paid to appointed stakeholder pension providers. Employer contributions are age related and range from (up to 30 September 2015) 3.0% to 12.5% and 8% to 14.75% (from 1 October 2015) of pensionable pay. APHA also matches employee contributions up to 3% of pensionable pay. In addition, employer contributions of £Nil (2014/15: £Nil) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirements of employees. Contributions due to the partnership pension providers at the 31 March 2016 were £8k (2014-15: £10k).

Three members of staff (2014/15: Three) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £Nil (2014/15: £Nil).

b. Average Number of Full Time Equivalent Staff

	2015/16	2014/15
	FTE	FTE
Science Staff	463	490
Veterinary Staff	322	316
Technical Staff	257	276
Administrative and Managerial Staff (All Disciplines)	927	919
Inspectorate Staff	200	97
	2,169	2,098

	2015/16	2014/15
	FTE	FTE
Permanent	2,028	2,010
Fixed Term Contracts	93	64
Casual and Temporary	48	24
	2,169	2,098

APHA has eight senior civil service staff with seven band 1 staff and one band 2 staff.

The remuneration and emoluments of the APHA Board are set out in the Remuneration Report starting on page 44 of this annual report.

c. *Reporting of Civil Service and Other Compensation Schemes – Exit Packages*

During the year 2015/16: 10 employees left APHA under early release schemes with a further 12 agreeing to do so by 31 March 2017. The details are as shown in the table below the full cost of £958k was included in the 2015/16 accounts.

Exit Package Cost Band	Total number of exit packages by cost band 2015/16	Total number of exit packages by cost band 2014/15
<£10,000	-	-
£10,000 - £25,000	8	-
£25,000 - £50,000	5	-
£50,000 - £100,000	9	-
£100,000 - £150,000	-	-
£150,000 - £200,000	-	-
£200,000>	-	-
Total number of exit packages by type	22	-
Total resource cost (£'000)	958	-

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 that the exit package is agreed. Where the employer has agreed early retirements, the additional costs are met by the employer and not by the Civil Service Pension Scheme. Any ill-health retirement costs are met by the pension scheme and are not included in the table.

There were no compulsory redundancies during 2015/16 (2014/15: Nil).

5 Other Administrative Costs

	2015/16	2014/15
	£'000	£'000
Official Veterinarian Costs		
Official Veterinarian Costs	25,170	27,841
Operating Costs		
Veterinary and Laboratory Consumables	8,925	8,380
Office Services	13,757	13,304
IT Costs	2,131	4,118
Travel and Subsistence	5,228	4,874
Accommodation and Utilities	(308)	2,201
Training	922	1,037
Recruitment	541	403
(Profit) / Loss on Disposal of Fixed Assets	(83)	526
Disease Eradication Costs	1,277	9
	32,390	34,852
Hard Charges		
Estates Management and Accommodation Services	731	28,163
IT Services	(617)	14,721
Accounting and HR Services	-	3,820
Procurement and Contract Services	-	238
Internal Audit	94	116
Legal Services	-	186
	208	47,244
Notional Charges		
Notional Charges from Defra	46,019	-
Defra Investigation Services	223	123
External Audit	200	200
	46,442	323
Non-Cash Costs		
Depreciation and Amortisation	19,799	18,259
Impairments & Revaluation Deficits	(1,047)	(98)
	18,752	18,161
	97,792	100,580

Official Veterinarians are qualified veterinarians in private practice who undertake work on behalf of APHA. The charge against operating costs for the year ended 31 March 2016 is based on activity undertaken by Official Veterinarians and paid for during the year together with:

- Activity carried out in the year but not paid for at the year-end for which test result forms had been received.
- Accrued payments for activity carried out in the year not paid for at the year-end for which test result forms had not been received.

With effect from 1 April 2009 the responsibility for the upkeep and maintenance of the Estate occupied by APHA offices was outsourced as part of a Department-wide facilities management contract. Estates Management and Accommodation costs were hard charged to APHA until 31 March 2015, when the charges changed to notional. The agency still incurs some Accommodation and Utility costs not covered by the outsourced contract. Estates Management and Accommodation services were provided by DTZ Limited up to 28 February 2014, as an agent for Defra, the associated charges have been analysed under the hard charges category. With effect from 1 March 2014 these services are provided by Montagu Evans.

Hard charges are recharges for services provided by Defra, either directly or through contract arrangements. From 01 April 2015 these are notionally recharged instead of hard charged with the exception of internal audit and pool car costs.

Within the SoCI the full cost of occupation is reflected in relation to buildings that are either owned or leased by Defra or specialised properties held on APHA's SoFP. The costs are proportionate to occupation and include rates, utilities, management overheads, facilities management and associated capital charges. For Defra leasehold properties this also includes rental costs. There are no rental costs for Defra freehold properties.

The estimated value of non-specialised freehold property owned by Defra but occupied by APHA is £4,375k (2014/15: £10,138k).

The commitments are consistent with arrangements containing a lease as defined by IFRIC 4, Determining Whether an Arrangement Contains a Lease.

The IT Services Hard Charge is in relation to the use of IT infrastructure assets supplied under contract with IBM. It is not possible to separate the finance and service charge elements of these costs.

Notional charges include the services of Defra Investigation Services. The External Audit fee is the Comptroller and Auditor General fee of £200k for the audit of the 2015/16 financial statements (2014/15: £200k). No remuneration was paid to the auditors for non-audit work.

6 Income

Analysis by Customer	2015/16	2014/15
	£'000	£'000
Defra	(158,896)	(166,242)
Other Government Departments and Devolved Administrations	(36,924)	(35,106)
UK Commercial & External	(16,651)	(11,834)
EU Commercial	(605)	(947)
Overseas Commercial	(1,895)	(2,100)
	(214,971)	(216,229)

7 Property, Plant and Equipment

2015/16	Land	Buildings	Scientific Equipment	Office Equipment and Furniture	Plant and Motor Vehicles	IT Assets	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of valuation								
1 April 2015	22,917	228,476	25,031	5,080	4,106	9,730	2,656	297,996
Additions	-	6,050	98	-	40	-	724	6,912
IBM Asset Movement	-	-	-	-	-	(221)	-	(221)
Transfers	-	-	-	-	-	-	-	-
Disposals	-	(51)	(499)	(339)	(207)	(95)	(2,656)	(3,847)
Impairment	675	-	-	-	-	-	-	675
Revaluation	28	20,136	116	1	8	26	-	20,315
31 March 2016	23,620	254,611	24,746	4,742	3,947	9,440	724	321,830
Depreciation								
1 April 2015	-	(5,163)	(19,627)	(4,537)	(2,741)	(8,777)	-	(40,845)
Charged	-	(7,175)	(1,357)	(153)	(284)	(41)	-	(9,010)
IBM Asset Depreciation	-	-	-	-	-	(317)	-	(317)
Transfers	-	-	-	-	-	-	-	-
Disposals	-	51	486	339	206	95	-	1,177
Impairment	-	372	-	-	-	-	-	372
Revaluation	-	-	(96)	(1)	(6)	(26)	-	(129)
31 March 2016	-	(11,915)	(20,594)	(4,352)	(2,825)	(9,066)	-	(48,752)
Net Book Value								
31 March 2016	23,620	242,696	4,152	390	1,122	374	724	273,078
31 March 2015	22,917	223,313	5,404	543	1,365	953	2,656	257,151
Asset Financing:								
Owned	23,620	242,696	4,152	390	1,122	12	724	272,716
Service Concession Arrangements	-	-	-	-	-	362	-	362
Net Book Value at 31 March 2016	23,620	242,696	4,152	390	1,122	374	724	273,078

Land & Buildings

Montagu Evans undertook a professional valuation of land and buildings during the year ended 31 March 2015. In the year ended 31 March 2016 Montagu Evans obtained more up to date information on buildings for a longer term strategic estates review and this was used to review the buildings value as part of the desktop review normally carried out in between the professional revaluations every five years.

The desktop valuation increased land and buildings by £32,567k whilst other properties reduced in value by £11,356k giving a net increase in value of land a buildings of £21,211k which is reflected in the above values as at 31 March 2016. £20,164k was credited to the Revaluation Reserve and £1,047k credited to the SOCI. This desktop revaluation was carried out using the depreciated replacement cost method, taking into account both current and expected future economic conditions.

Additions on the buildings relates to building works on APHA properties that have been recharged from Defra.

2014/15	Land	Buildings	Scientific Equipment	Office Equipment and Furniture	Plant and Motor Vehicles	IT Assets	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of valuation								
1 April 2014	17,580	197,384	25,819	5,187	4,379	9,557	820	260,726
Transfers from FERA	-	-	58	7	17	-	-	82
Additions	-	-	303	-	-	20	1,836	2,159
IBM Asset Movement	-	-	-	-	-	147	-	147
Transfers	(1,496)	(14,089)	-	-	-	-	-	(15,585)
Disposals	-	(417)	(1,807)	(116)	(354)	(11)	-	(2,705)
Impairment	-	-	-	-	-	-	-	-
Revaluation	6,833	45,598	658	2	64	17	-	53,172
31 March 2015	22,917	228,476	25,031	5,080	4,106	9,730	2,656	297,996
Depreciation								
1 April 2014	-	(26,388)	(19,299)	(4,477)	(2,714)	(8,392)	-	(61,270)
Transfers from FERA	-	-	(23)	(3)	(17)	-	-	(43)
Charged	-	(5,142)	(1,538)	(167)	(317)	(57)	-	(7,221)
IBM Asset Depreciation	-	-	-	-	-	(323)	-	(323)
Transfers	-	1,701	-	-	-	-	-	1,701
Disposals	-	270	1,723	112	336	12	-	2,453
Impairment	-	-	-	-	-	-	-	-
Revaluation	-	24,396	(490)	(2)	(29)	(17)	-	23,858
31 March 2015	-	(5,163)	(19,627)	(4,537)	(2,741)	(8,777)	-	(40,845)
Net Book Value								
31 March 2015	22,917	223,313	5,404	543	1,365	953	2,656	257,151
31 March 2014	17,580	170,996	6,520	710	1,665	1,165	820	199,456
Asset Financing:								
Owned	22,917	223,313	5,404	543	1,365	53	2,656	256,251
Service Concession Arrangements	-	-	-	-	-	900	-	900
Net Book Value at 31 March 2015	22,917	223,313	5,404	543	1,365	953	2,656	257,151

8 Intangible Assets

2015/16	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
B/fwd 1 April 2015	4,148	119,399	15,369	138,916
Additions	-	-	2,910	2,910
Transfers	-	14,969	(14,969)	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Revaluation	57	1,872	-	1,929
31 March 2016	4,205	136,240	3,310	143,755
Amortisation				
B/fwd 1 April 2015	(3,689)	(90,554)	-	(94,243)
Charged	(357)	(10,115)	-	(10,472)
Transfers	-	-	-	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Revaluation	(56)	(1,397)	-	(1,453)
31 March 2016	(4,102)	(102,066)	-	(106,168)
Net Book Value				
31 March 2016	103	34,174	3,310	37,587
31 March 2015	459	28,845	15,369	44,673

2014/15	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
Cost of valuation				
B/fwd 1 April 2014	82	119,498	11,399	130,979
Transfers from FERA	4,063	-	-	4,063
Additions	-	-	3,970	3,970
Transfers	-	-	-	-
Disposals	(5)	(1,228)	-	(1,233)
Impairment	-	-	-	-
Revaluation	8	1,129	-	1,137
31 March 2015	4,148	119,399	15,369	138,916
Amortisation				
B/fwd 1 April 2014	(55)	(80,262)	-	(80,317)
Transfers from FERA	(3,451)	-	-	(3,451)
Charged	(181)	(10,534)	-	(10,715)
Transfers	-	-	-	-
Disposals	5	998	-	1,003
Impairment	-	-	-	-
Revaluation	(7)	(756)	-	(763)
31 March 2015	(3,689)	(90,554)	-	(94,243)
Net Book Value				
31 March 2015	459	28,845	15,369	44,673
31 March 2014	27	39,236	11,399	50,662

There are two material individual intangible assets, (1) Business Reform Programme (BRP), the total cost of BRP is £31,200k with £20,440k with a remaining useful life of 2.5 years and £10,760k with a remaining useful life of 14.25 years, (2) Veterinary Delivery Partnership (VDP), the total cost of VDP is £2,817k with a remaining useful life of 14.25 years.

9 Financial Instruments

As the cash requirements of APHA are met through the estimate 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 APHA's expected purchase and usage requirements and APHA is not exposed to credit, liquidity or market risk. Accordingly no disclosure is required.

10 Trade Receivables and Other Current Assets

	31 March 2016	31 March 2015
	£'000	£'000
Amounts falling due within one year :		
Trade receivables	4,537	43,072
Other receivables	82	359
Trade and Other Receivables	4,619	43,431
Other Current Assets		
Deposits and advances	6	9
Prepayments and accrued income	8,497	10,732
	8,503	10,741
As at 31 March	13,122	54,172

11 Cash and Cash Equivalents

	31 March 2016	31 March 2015
	£'000	£'000
Government Banking Services		
Opening balance	38,508	29,431
Net change in balances	(1,702)	9,077
Closing balance	36,806	38,508

The Government Banking Service has procured banking services from the Royal Bank of Scotland Group and Citibank. As funds held in these accounts will be transferred to the Exchequer on a daily basis these accounts are not classified as commercial bank accounts.

12 Trade Payable and Other Current Liabilities

	31 March 2016	31 March 2015
	£'000	£'000
Trade and Other Payables		
Trade payables	(746)	(3,671)
Other payables	(899)	(961)
Payroll Payables	(2,969)	(2,814)
	(4,614)	(7,446)
Other Liabilities		
Accruals and deferred income	(17,640)	(48,622)
Other taxation	(1,143)	(30)
	(18,783)	(48,652)
Provisions	(2,406)	(3,127)
As at 31 March	(25,803)	(59,225)

Included within other payables is the current liability of £818k to pay for the "Right of Use" assets to IBM (2014/15: £844k).

13 Lease Obligations Due

	31 March 2016	31 March 2015
	£'000	£'000
Not later than one year	818	844
Balance in Current Liabilities	818	844
Later than one year and not later than five years	659	1,472
Later than five years	-	-
Balance in Non Current Liabilities	659	1,472
Balance at 31 March	1,477	2,316

Lease obligations arise from the adoption of IFRIC 12 Service Concession Arrangements in respect of IBM Right of Use Assets. IBM who provide the valuation of the assets and have also provided Defra with a lease charge applicable to the whole contract including Core Defra, its agencies and Non Departmental Public Bodies. This has been allocated to APHA on the basis of the headcount within the organisation as a proportion of the total.

14 Provisions for Liabilities and Charges

	Early Departure Costs £'000	Taxation £'000	Other £'000	Property Related Provision £'000	Total £'000
At 1 April 2014	53	3	240	2,474	2,770
Provided in the year	-	-	670	1,883	2,553
Provisions not required written back	(53)	(3)	(534)	(85)	(675)
Provisions utilised in the year	-	-	(55)	(119)	(174)
At 31 March 2015	-	-	321	4,153	4,474
Provided in the year	-	-	-	-	-
Provisions not required written back	-	-	(171)	(439)	(610)
Provisions utilised in the year	-	-	(150)	(210)	(360)
At 31 March 2016	-	-	-	3,504	3,504

	Early Departure Costs £'000	Taxation £'000	Other £'000	Property Related Provision £'000	Total £'000
Not later than one year	-	-	-	2,406	2,406
Balance in Current Liabilities	-	-	-	2,406	2,406
Later than one year and not later than five years	-	-	-	27	27
Later than five years	-	-	-	1,071	1,071
Balance in Non Current Liabilities	-	-	-	1,098	1,098
At 31 March 2016	-	-	-	3,504	3,504

Property Related Provisions

APHA is responsible for future dilapidations on specialist building areas, where the agency has to return premises to their original condition upon leaving, and for the removal of asbestos identified in occupied property. An estimate of dilapidations following a comprehensive review of our future plans for occupied properties identified a provision of £3,504k (2014/15: £4,153k) in respect of all properties that the agency occupies.

The current provision comprises: Dilapidations £3,230k and asbestos £274k.

Provisions that fall due within one year are transferred to current liabilities.

15 Reserves

Revaluation Reserve	Tangible Assets £'000	Intangible Assets £'000	Total £'000
Balance at 1 April 2014	32,910	12,202	45,112
Net gain on revaluation of property, plant and equipment	76,932	-	76,932
Net gain on revaluation of intangible assets	-	374	374
Transfers between reserves	(7,408)	(9,316)	(16,724)
In Year Movement	69,524	(8,942)	60,582
Balance at 31 March 2015	102,434	3,260	105,694
Net gain on revaluation of property, plant and equipment	20,186	-	20,186
Net gain on revaluation of intangible assets	-	476	476
Transfers between reserves	(6,273)	(1,065)	(7,338)
In Year Movement	13,913	(589)	13,324
Balance at 31 March 2016	116,347	2,671	119,018

16 Commitments under Operating Leases

	2015/16	2014/15
	£'000	£'000
Leasehold property operating lease payments due in:		
Not later than one year	1,697	1,507
Later than one year and not later than five years	3,738	3,077
Later than five years	2,237	1,764
	7,672	6,348

The operating leases commitment disclosure includes the costs relating to the proportion of Defra leasehold properties occupied by APHA. These arrangements between APHA and Defra reflect a future commitment to reimburse Defra for the underlying rentals paid to landlords for the provision of leasehold accommodation. These commitments are consistent with arrangements containing a lease as defined by IFRIC 4 Determining Whether an Arrangement Contains a Lease.

Of the above £248k (2014/15: £338k) related to Land and £7,424k related to Buildings (2014/15: £6,010k).

17 Commitments under Private Finance Initiative (PFI) Contracts

	2015/16	2014/15
	£'000	£'000
Commitments under PFI Contracts due:		
Not later than one year	79	77
Later than one year and not later than five years	347	330
Later than five years	1,292	1,360
	1,718	1,767

An off-balance sheet PFI contract was signed by the Department in February 2001. The scheme involved the grant of a 129 year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. Defra occupies 0.39% of the building and recharges other occupiers for their share of the costs. APHA occupies 1.53% of the site.

18 Obligations under Service Concession Arrangements

	2015/16	2014/15
	£'000	£'000
Obligations under service concession arrangements due in:		
Not later than one year	14,403	12,466
Later than one year and not later than five years	11,870	22,403
Later than five years	-	-
	26,273	34,869

Defra has entered into a contract with IBM for the supply of IT services, and APHA is party to this contract. It aims to support APHA by providing a modernised IT infrastructure; in line with the wider government IS strategy, which will give access to cost effective IT services. All service concession assets are classed as one tangible IT service concession asset.

The contract is for a term of eight years from February 2010. The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the consumer price index (CPI) for January in the previous year. There are no beneficial entitlements at the end of contract, although APHA has the option to purchase specified assets at net book value on exiting the contract.

During the term of the contract, APHA has the right to use assets owned by IBM, and IBM are obliged to provide the IT assets for use at a level dictated by performance obligations in the contract, and underlying IT product developments commissioned by APHA. APHA has an obligation to spend a specified amount of money each year on undertaking IT projects, which is currently set at approximately one third of the amount the agency spends on IT projects annually.

There is flexibility in terms of termination providing the option to end the service or key aspects of the service. The cost associated with this clause is on a sliding scale depending on several factors, including time remaining on the contract.

APHA is committed to meet the remainder of the payments to IBM that relate to the service element of the contract referred to in note 1.7. Amounts payable are shown in the table above.

19 Other Financial Commitments

	2015/16	2014/15
	£'000	£'000
Facilities management costs relating to DEFRA leasehold, specialised and freehold properties due in:		
Not later than one year	12,271	12,883
Later than one year and not later than five years	49,083	49,566
Later than five years	36,880	49,566
	98,234	112,015

Other financial commitments relate to: Facilities management costs associated with the proportion of occupation of buildings that are either owned or leased by Defra or specialised properties held on APHA's SoFP.

The commitments are consistent with arrangements containing a lease as defined by IFRIC 4 Determining Whether an Arrangement Contains a Lease.

20 Contingent Liabilities

There were no contingent liabilities at 31 March 2016 (2014/15: None).

21 Related Party Transactions

APHA is an Executive Agency of Defra and is also a supplier of services to Defra. During the period ended 31 March 2016 Defra provided APHA with remuneration for services and provided a number of services to APHA. In addition APHA had a number of operational transactions with the Department's other Executive Agencies, (The Rural Payments Agency and the Veterinary Medicines Directorate), and with other government bodies, notably the Scottish Government, the Welsh Government, and the Food Standards Agency.

None of APHA's Board members, other key managerial staff or other related parties undertook any material transactions with APHA during the period.

Any compensation paid to key managerial staff would be a related party transaction. Should compensation payments be made to any director this would be disclosed in the Remuneration Report.

The agency keeps a fully updated Register of Interests.

22 Events after the Reporting Period

APHA's financial statements are laid before the House of Commons by the Secretary of State for Defra. IAS 10, Events after the Reporting Period, requires APHA to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date of the Comptroller and Auditor General's Audit Certificate.

EU Referendum

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU

Chris Hadkiss

APHA Chief Executive

14 July 2016

Annex A – Performance Measures

Work Area	Key Performance Indicator	Achieved
Export	APHA will ensure that 97% of Export Health Certificates/licences are issued correctly within the agreed timeframes (This is a composite KPI and consists of 7 components of timeliness and quality components for Animal EHCs, CITES, Birds and for Plant Products)	Met
Import	APHA will ensure consignments are checked correctly at the required levels. (This is a composite KPI and consists of consignment checks across various different work areas including Plant and Bees)	Substantially Met
Animal Welfare	APHA will complete 100% of cross compliance inspections in order to enable the GB paying agencies meet the Single Payment Scheme deadlines	Met
	APHA will ensure animals are protected from unnecessary pain and suffering by visiting 95% of reports assessed as high priority, via a veterinary risk assessment, within one calendar day of notification	Substantially Met
Surveillance	APHA will complete 98.7% of required sampling/visits as part of National Surveillance Programmes (This is a composite KPI and consists of surveillance across Animals, Plants and Bees)	Met
Endemic Disease - Tuberculosis	Low Risk Area - Proportion of live herds under restriction as a result of a OTF-W bTB breakdown	Met
	During the financial year 2015/16 reduce the number of overdue herds in Wales from a baseline of 1255 (2014/15) to 750 by 31 March 2016	Met
	During the financial year 2015/16 to have no more than 256 overdue herds in Scotland, by 31 March 2016	Met
Scanning Surveillance	To provide access to the scanning surveillance network for an average of 65% of livestock holdings in England & Wales by 31 March 2015	Met
Science	APHA will meet 95% of agreed milestones and 100% deliverables within the agreed timeframe	Met
	Quality: APHA will maintain its third party quality accreditations	Met
	Quality: provide an assurance statement from the APHA Science Advisory Board - this will be an annual statement at the end of the year	Met
Surveillance & MI Reports	APHA will provide 100% of stated quarterly reports within the agreed timeframes	Met
Disease Risk Reduction	Animal By-Products - Complete routine inspections required under a risk based approach	Substantially Met
	Deliver 100% of national and significant regional agricultural show approvals	Met
	Deliver 100% of annual inspections to markets required on an annual basis	Met
	Deliver 100% of PRIMO (pig pyramid) approvals and re-approvals on an annual basis	Not Met
Exotic Disease	A Veterinary Inspector will be dispatched to any report of a suspected case of an immediate level exotic disease (report or consultation) requiring a visit within 30 minutes of the decision being made that a veterinary enquiry is necessary	Met in Part
	For all suspect cases of exotic notifiable disease that are reported to Vendu, deliver a good service.	Met
Protecting the Food Chain	Poultry Meat Marketing - Complete 100% of inspections per flock turnaround for registered sites that are in production	Met
	Egg Marketing - Complete 100% of inspections per flock turnaround for registered sites that are in production	Met
	Complete risk-based sampling visits under the National Feed Audit	Met
	BSE suspects will be visited no later than the next working day and APHA will serve a whole herd restriction notice on all natal and rearing holdings immediately. In addition eligible BSE offspring and cohorts to be restricted within 2 working days	Met
Reportable Disease and Other Zoonoses	Collect 100% of the quarterly bulk milk tank samples from producer-retailers	Met
Key:	Met = 100% or more of target met	
	Substantially met = 95% or more of target met	
	Met in part = 75% or more of target met	
	Not Met = less than 75% of target met	

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