

Animal and Plant Health Agency

Annual Report and Accounts 2018/19

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Annual Report and Accounts

2018/19

(For the year ended 31 March 2019)

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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Any enquiries regarding this publication should be sent to us at APHA, Woodham Lane, New Haw, Addlestone, Surrey, KT15 3NB

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Contents

Foreword by Chief Executive – Chris Hadkiss.....	1
Statement by Lead Non-Executive Director and Chair of the APHA Management Board – Chris Nicholson....	3
Performance Report: Summary.....	4
Performance Report: APHA’s Performance 2018/19	14
Performance Report: Financial Review	17
Accountability Report: Directors Report	19
Accountability Report: Statement of Accounting Officer’s Responsibilities	20
Accountability Report: Governance Statement	21
Accountability Report: Remuneration Report.....	27
Accountability Report: Staff Report	33
Accountability Report: Parliamentary Accountability Report	39
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS.....	41
Financial Statements	44
Annex A – APHA Governance Model.....	71
ANNEX B – APHA Key Performance Indicators (KPIs).....	72

Performance Report – Overview

Foreword by Chief Executive – Chris Hadkiss



The Animal and Plant Health Agency (APHA) has continued to produce a wide range of great work this year, working both alongside our Defra group colleagues and in conjunction with an increasingly large number of partner organisations to deliver the key objectives that are described in the Defra Group Strategy¹. The prevention of, and response to, damaging animal and plant diseases remains at the very core of what the Agency does in support of sustainable food and farming within the UK.

The consequences of the planned withdrawal of the UK from the European Union produced what were by far the largest set of challenges to the Agency during the year, whilst also needing to deliver our ongoing responsibilities in full. The most “time critical” requirements were in those areas in which APHA will play a more prominent role in enabling the continuation of a wide range of both exports and imports. Significant time and effort has been devoted to these issues, and additional staff and resources have been secured to ensure that the transition will be as smooth as possible whenever it occurs. The Agency has also been preparing for what will be a changed environment following the transition, and in ensuring that the excellent scientific relationships we have with organisations across the EU and the rest of the world can be maintained and enhanced.

The Agency has taken steps to reduce its operating costs year on year. We continue to look for further opportunities to increase our efficiency wherever possible by making best use of the tools and technologies available to us, to deliver increasing value for money for our customers and stakeholders. We are also exploring the funding that will be required in the longer term to secure the future operation of the organisation; most notably the long-term investment that will be needed within our key science facilities as increasingly important national assets.

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/753513/defra-group-strategy-2018.pdf

We have seen some changes to our senior leadership team and governance during this year, due to people retiring, a change of roles and also people joining us in order to strengthen our capacity to take us forward. I would like to bid a farewell to those who have left us and also welcome those who have recently joined us, and to acknowledge their valuable contribution to the work of the Agency.

During this year we also welcomed the Horticultural Marketing Inspectorate (HMI) and the staff that support the function into APHA as they transferred from the Rural Payments Agency. This transition was an example of teams in the Food, Farming and Biosecurity System working together to share their skills, and develop a more flexible and joined-up inspection capability in order to help improve the customer experience.

Throughout this period of significant change and uncertainty, the APHA Leadership Team remained conscious of the increased need to engage with our staff. We have been looking to identify improvements and implement actions in response to the Civil Service People Survey via the Employee Engagement Plan. The Agency launched a programme of work to ensure that people have the right tools, support and training to carry out their jobs effectively. The senior leadership team have been building on this work and have been undertaking site visits to engage with staff across GB to better understand its implementation. We have also been very keen to ensure that support and assistance is in place for those individuals who might be struggling for whatever reason.

I would like to close by acknowledging the tremendous work done by so many individuals across the Agency during what has been a particularly difficult year. Our people are of course our most significant asset and resource. I continue to be most grateful for the support and dedication they provide to their work, the Agency and most importantly the general public.

Performance Report – Overview

Statement by Lead Non-Executive Director and Chair of the APHA Management Board – Chris Nicholson



APHA has, over the past year, been dealing with a range of challenges; preparing for EU exit (the terms of which have been uncertain), dealing with continuing pressures on public spending, whilst all the time being vigilant to ensure that we are in a position to identify and deal with disease outbreaks which may occur.

These challenges and the pace of change will not diminish in the coming year. There is the potential for a Spending Review in 2019/20 and the future form of EU exit will still need to be worked through. We need to consider the potentially far reaching impact that the review by Dame Glenys Stacey of farm inspections and regulation could have on the work and structure of APHA, alongside the review of the Government's bovine TB strategy by Sir Charles Godfray. We will also continue to develop our plans for the much needed redevelopment of the APHA Weybridge estate to ensure that we have laboratory facilities, built to meet current and future demands.

Whilst we are meeting all these challenges, the APHA Management Board will continue to focus on ensuring we have a comprehensive grip on the risks facing the Agency as an organisation, as well as the risks to the country caused by existing and potential new animal and plant diseases.

In this, my first year as Chair of the APHA Management Board, I have been impressed by the dedication and professionalism of our staff which has enabled us to meet all these challenges whilst achieving the vast majority of our performance indicators. That is a very praiseworthy achievement.

To ensure that this continues to be the case, we need to make sure that APHA is a place where all our employees are motivated to work for the agency and feel respected and valued for the contribution they make. We have taken a number of steps to try to boost employee engagement and involvement in the work of the Agency and this will continue to be a major area of attention for the Board over the coming year.

Performance Report: Summary

About APHA: The Animal and Plant Health Agency (APHA) is an Executive Agency of the Department for Environment, Food and Rural Affairs (Defra). APHA provides services to the Scottish and Welsh Governments, other government departments and a range of other customers.

It is part of the Food, Farming and Biosecurity (FFaB) system; one of the Defra Group's 'outcome systems'. The other systems lead on areas of work related to the natural and marine environment, rural issues, floods and water.

APHA maintains essential disease investigation and response capability, as well as supporting the trade in plants, animals and associated products through effective certification, audit and inspection. We help protect our borders through effective import controls on animals, plants, seeds and products of animal origin.

More detail on our aims, what we do and how we do it can be found on GOV.UK² along with information on our operating structure and governance. Our governance model can be seen at Annex A.

Working with Defra: APHA's six key priorities for 2018/19, which stem from Defra's Commission (Defra's ask) are:

- Prevent incursion of diseases, invasive non-native species, pests and pathogens while enabling trade.
- Prepare for, investigate and respond to diseases, threats, pests, pathogens, invasive non-native species and the unauthorised release of GMOs, using effective risk management.
- Control bovine tuberculosis (bTB) through delivery of the bTB Eradication Strategy for England.
- Contribute to wider Government objectives and statutory obligations on public health, animal welfare, maintaining food security and improving the environment.
- Protect plant and animal international biodiversity through UK influence internationally and bilaterally, and the reduction of illegal wildlife trade.
- Deliver cross cutting services that underpin all priorities, including reducing regulatory burdens.

These in turn contribute to the Defra 5 Year Strategy, of providing:

- A cleaner healthier environment which benefits people and the economy.

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

- A world leading food and farming industry.
- A nation protected against natural threats and hazards, with strong response and recovery capabilities.
- A thriving rural economy contributing to natural prosperity and wellbeing.
- Excellent delivery, on time and to budget and with outstanding value for money.
- An organisation striving to be the best, focussed on outcomes, constantly challenging itself.

Working with the Welsh Government: We supported the Welsh Government by making a positive contribution to the strategic outcomes of the Wales Animal Health and Welfare Framework which are:

- Wales has healthy productive animals.
- Animals in Wales have a good quality of life.
- People trust and have confidence in the way food is produced and the way public health is protected.
- Wales has a thriving rural economy.
- Wales has a high quality environment.

We did this by listening to, understanding and reacting appropriately to Wales's specific policy priorities and delivery expectations.

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

Working with the Scottish Government: We supported 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 included:

- 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).

In addition to this we offered services to the veterinary and scientific community, industry, other government departments and the public³.

Risks and Issues: An assessment of the Agency's risks and issues, can be found in the Governance Statement (pages 21 to 26) under the heading "*Risk Management*".

Our Day-to-day Work: Our day to day work in 2018/19 covered a wide range of tasks for diverse customer groups. We engaged 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. Specifically in 2018/19 this has included:

Managing Plant and Animal Disease Outbreaks

During 2018/19 we successfully responded to a number of disease incidents as well as delivering a national and regional exercise programme:

- Exercise Blackthorn – a national exercise that focussed on Foot and Mouth Disease (FMD). The primary purpose of Exercise Blackthorn was to test the Defra, Welsh Government, Scottish Government and Northern Ireland Government contingency plans and established policy for the control of an outbreak of FMD.
- A number of regional and local exercises to consider the threats and challenges of dealing with an outbreak of African Swine Fever (ASF).
- Identification of consignments of animals that have failed post import tests – particularly for Bluetongue Virus (BTV).
- Working with other operational partners – such as Public Health England to respond to an incursion of Monkey Pox Virus.
- Several outbreaks of the Yellow Legged Asian Hornet (*Vespa velutina*).
- Contingency planning for outbreaks of *Xylella fastidiosa*.
- Bovine Spongiform Encephalopathy (BSE) in Scotland.

Our focus for the future will be:

- Maintaining and developing access to both the skills and capabilities required to deliver core business as usual services and outbreak response.
- Maintaining national and international specialist veterinary and scientific capability and reputation.

³ <https://www.gov.uk/government/organisations/animal-and-plant-health-agency>

- Ensuring APHA readiness to respond to outbreaks.
- Continuing to adapt and implement APHA outbreak response model plans.
- Identifying lessons from outbreaks and exercises and implementing improvements in our outbreak response.

Bovine Tuberculosis (bTB)

Bovine tuberculosis (bTB) activities to control and eventually achieve Officially TB Free (OTF) for all of Great Britain remain the most resource intensive part of APHA's business. APHA advised on and delivered a complex set of control measures across the countries and different TB risk areas including:

- Delivery of the national TB testing surveillance programme through our Veterinary Delivery Partners (VDPs) and Official Veterinarians (OVs) together with associated control measures.
- Provision of extensive laboratory services to support the eradication programmes across GB.
- Collation and analysis of TB surveillance data⁴ to produce annual epidemiology reports, and carry out important research and development work to support customers' policies on bTB.
- Implementation of measures to introduce increased sensitivity of breakdown testing in the high risk area of England including the provision of private gamma testing in certain situations.
- Expansion of the edge area (five counties previously straddling the high risk area and Edge), implementation of six-monthly herd testing in the worst affected parts and 12-monthly herd testing in the remaining edge area, supplemented by targeted (radial) testing.
- Implementation of post-movement testing in the Low Risk Area and implementation of the option of free pre-movement testing for herd dispersal sales in the Low Risk Area.
- An epidemiological analysis of the outbreak in the low risk area (Cumbria) was used to define the likely extent of infection in badgers. This was used to define a new removal area, which was successfully implemented by a newly formed cull company. All trapped badgers were then subjected to post mortem analysis, which will inform our understanding of focal outbreaks in wildlife, and the management plans for next year.

⁴ <https://www.gov.uk/government/publications/bovine-tb-epidemiology-and-surveillance-in-great-britain-2015> and <http://gov.wales/topics/environmentcountryside/ahw/disease/bovinetuberculosis/bovinetberadication/?lang=en>.

- Development of farm level data reports to provide increased information to farmers, and their vets, affected by TB breakdowns.
- APHA has also supported the badger control programme in England with technical and scientific inputs.
- Supporting the Scottish Government in delivery of measures to ensure continued OTF status.

International Trade

Demand for Export Health Certificates (EHCs) continued to increase by almost 12% during 2018/19. Imports have also increased by around 10% compared to the previous year. This increase in demand has been managed through process improvements at no additional cost.

Arrangements to intercept illegal puppy imports continue to be developed to ensure import controls are in place to reduce welfare concerns and minimise the risk of disease incursion.

APHA worked closely with Defra colleagues to develop plans to support customers to prepare for the operational implications of EU exit. This included recruitment into each of our Centres for International Trade and developing potential new trade models and systems to ensure that GB imports and exports are not adversely affected after EU exit.

The Export Health Certificate form finder solution, which allows exporters to access available certificates on-line, was successfully released in December 2018.

Animal Welfare

A key role for APHA is to protect the welfare of animals on farm, at markets, during commercial transportation and at the time of killing, if undertaken outside slaughterhouses. This year APHA has:

- Conducted an annual risk-based programme of welfare inspections under the EU cross compliance regulations on behalf of Defra, Scottish and Welsh Governments.
- Carried out a risk-based programme of chicken meat inspections.
- Regulated and approved animal transporters, whilst also approving and auditing journey plans for longer journeys.
- Worked with operational partners such as local authorities to take appropriate action where non-compliance was disclosed.
- Provided veterinary and scientific advice to support the development of government policies in relation to companion, exotic, sporting and performing animals and in the development of international animal welfare policy.

Service Delivery

APHA's Service Delivery Directorate (SDD) provides the operational element of the Agency.

During the year SDD became increasingly involved in the preparations for exiting the EU, to the extent that in November, Director for Service Delivery, Ian Hewett took on the overall leadership of APHA's projects in this area. In recognition of the scale of this task, the day to day operational running of SDD was passed to Simon Hewitt and Paul Townsend as Deputy Directors for Service Delivery.

To reflect our specific customers' needs SDD is split into three delivery areas to ensure customer requirements are delivered.

i) Delivery of England Field Services

England Field Delivery has dealt with a number of challenges, over and above those of delivering the Agency's business as usual requirements on behalf of Defra. These included:

- Badger surveillance within Cumbrian TB Hotspot.
- Supporting Public Health England (PHE) during a Monkey Pox public health incident, culling and surveillance following positive Blue Tongue Virus animals being identified following post-import testing.
- Supporting the Food Standards Agency and PHE in managing a difficult outbreak of salmonella in sheep, dealing with contaminated feed at an animal feed mill and assisting PHE in managing an outbreak of E. coli in people.

ii) Delivery of Scotland Field Services

Scotland Field Services have, in addition to implementation of an annual risk based Exemption Exercise for TB Routine Herd Tests, delivered changes to TB controls to maintain Scotland's Officially Tuberculosis Free status. This included detaining cattle until they have had a clear post movement test, nil compensation for illegal moves, reduced compensation for overdue tests and a compensation cap.

The team also contributed to the full implementation of the phase 4 BVD Eradication Scheme to reduce moves of untested cattle off non negative herds and advised Scottish Government policy colleagues on phase 5 legislation due in 2019.

Enforcement officers embedded and worked with operational partners as part of the joint Food Standards Agency Scotland (FSS)/APHA Food Crime Unit approach to deliver outcomes to serious crime relating to animal health and welfare, resolving severe and chronic welfare cases and developing intelligence to tackle prioritised risks.

Key relationships with stakeholders and operational partners were strengthened through a number of initiatives aimed at improving resilience and preparedness for BAU and Emergency incidents which included:

- Forming a dedicated Fish Welfare Team to support Marine Scotland in inspections and welfare investigations of farmed fish.
- Working with Scottish Government, producers and operational partners to deliver Exercise Juniper, a table top exercise looking at notifiable disease in a very large multi-site poultry company.
- Working with Scottish Government to deliver training to local authorities on Pet Import control measures and Rabies prevention.
- Working closely with the pig sector and veterinary profession to improve pig welfare through changes in the inspection standards.
- APHA has worked closely with Food Standards Scotland to ensure effective coordination and feedback regarding issues identified in slaughterhouses that relate to animal health and welfare on farm or in transport.
- The Farmwell initiative is a collaborative approach between Industry, Government, farm support charities and operational partners aimed at preventing farm animal welfare cases by providing early support to farmers in distress and recognising early triggers for possible animal welfare issues.

iii) Delivery of Wales Field Services

Wales Field Services has an operational structure aligned with the Organisational Reform principles in England and Scotland, with administrative functions being delivered from two sites in Wales (Carmarthen and Caernarfon).

During the last year APHA has delivered the TB policies in Wales that were introduced as part of the strengthened approach to TB in Wales. This included:

- The implementation of Action Plans for persistent TB breakdowns over 18 months duration, with disease control measures targeted at clearing up infection in these herds. Measures include the greater use of severe interpretation testing, removal of inconclusive reactors and increased gamma interferon testing. The use of Biosecurity Requirement Notices has also been introduced for these herds if required, and the clearing test of a persistent breakdown herd can no longer be used as a Pre movement test.
- A potential reduction in compensation for reactors following intraherd movements.

Other measures implemented by APHA in 2018/19 included:

- A process for requiring a pregnancy certificate for animals to be valued as pregnant.
- Advisory Cymorth visits for unrestricted herds in the Intermediate TB area North.

- Additional testing on premises contiguous to TB breakdowns in the Intermediate TB area North.

Science Directorate

APHA's Scientific Services Directorate continued to provide a range of surveillance and research activities to rapidly investigate and respond to plant and animal health threats, including those with potential public health impact. They also play an important role in the protection of animal and plant health and welfare. This work is delivered under the umbrella of the APHA's Science Strategy 2015/20⁵.

This year we have published over 220 peer reviewed papers in a wide range of scientific journals. To reach a wider audience we also continue to publish via trade and other specialist channels as well as communicating important achievements on the APHA science blog on GOV.UK⁶. The blog covers a wide range of scientific highlights from special interest stories introducing our scientists, through to more detailed reports explaining more to the reader about the excellent science we deliver.

More detail on the Agency's science work can be found in the APHA Annual Science Review.⁷

Veterinary Directorate

In November the Surveillance Intelligence Unit (SIU) moved from the Veterinary Directorate into the Science Directorate and merged with the Surveillance and Laboratory Services Unit (SLSD). The SLSD's main area of activity is the creation and collection of surveillance data, which is then used by the SIU and Species Expert Groups to generate surveillance intelligence.

The APHA Contract Management team is a key part of the Veterinary Directorate and APHA continues to commit itself to robust and high standards of contract management with its dedicated team of contract managers working alongside technical leads in business areas across the Agency. APHA currently manages circa 130 contracts with external suppliers across the Agency, which represents around 45% of the Agency's costs.

APHA's active contract management ensures a high standard of service delivery, strong supplier relationships, efficiently tackling performance issues with suppliers, and facilitates effective procurement exercises. 2018/19 has required a particular focus on suppliers' resilience and preparedness for various EU scenarios, assessing APHA's risks and planning mitigations. APHA's Contract Management Team has, in particular,

⁵ <https://www.gov.uk/government/publications/apha-science-strategy-2015-to-2020>

⁶ <https://aphascience.blog.gov.uk/>

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

worked closely with field operations to embed the new Reactor Removal Framework. This itself has yielded a net benefit of circa 43.5% compared to the previous framework.

EU Exit

There are more than 60 projects in place across Defra to help manage and prepare for impacts arising from EU exit. These are clustered into four main portfolios:

- Food, Farming & Biosecurity.
- Environmental Regulations and Marine & Fisheries.
- Science.
- Trade.

Preparing for EU Exit continues to be a key area of work for the Agency and, in APHA, we created an EU Exit Programme Team to help co-ordinate, plan and deliver new or changed services. This team works closely with subject matter experts from across APHA to help manage the impact of required changes, design new services and to check that whatever gets implemented is fit for purpose.

APHA has interests and connections in all of the portfolio areas; most direct impacts (but not all) lie within the Food, Farming & Biosecurity area.

APHA has continued to support all relevant Defra projects by providing specialist advice with an increasing focus on operational delivery under different 'day 1' scenarios. Additional HM Treasury funding has been used to increase the effort available for planning.

In January, a new director for EU Exit and Trade was appointed to co-ordinate APHA's activity and ensure that we can respond effectively to evolving demands.

In planning for EU Exit our ambition was to seize upon the opportunities that EU Exit presents, in order to:

- unlock the potential of farming and fisheries by designing systems that work for the UK, and ensure that we leave the environment in a better state than we found it;
- cut red tape and ensure a seamless transition to Defra's new regulatory and delivery frameworks; and
- play our role in forging a new, strong, constructive partnership with the EU.

Post EU Exit we aim to maintain appropriate preparedness and capability to deal with animal and plant diseases, ensuring a high standard of welfare and continue to maintain and facilitate trade.

Charging

This year, APHA continued to work closely with Defra and the Scottish and Welsh Governments to amend and introduce new statutory fees.

In April 2018 the fees for most plant health statutory services were amended following the 2017 consultation on fundamental changes to the charging structure. The changes were aimed at improving simplicity, transparency and fairness of these charges so that they more closely align with the costs of delivering services to individual customers. Work is ongoing on the phasing of new fees for export services, plant passporting inspection visits and some scientific licensing services that were announced in the consultation response.

For animal health related services, a number of fees were revised in June 2018 to bring them to full cost recovery (FCR). New fees for inspections and approvals relating to Animal By-products and Animal Gatherings regulations were also introduced alongside a new fee for the provision of blank Pet Passport documents.

In March 2019, APHA's Management Board agreed a formal charging strategy. We are now progressing with our review of all other existing fees relating to animal health services, moving to a single FCR charging methodology for the Agency as far as possible. We are also looking at options to extend charging into other statutory areas, subject to consultation.

We continually monitor our statutory fee income to ensure we recover only our costs, passing on savings where they occur and giving as much notice as possible of any price increase. Statutory fees and charges are part of an overall funding model that also includes commercial income and public subsidy. Funding from the latter has been under pressure for a number of years and this is expected to continue. By recovering our costs for services where there are specific beneficiaries, we can safeguard our activities that are for the public good through ongoing public funding.

The Field Activity Programme

The Field Activity programme's scope was updated in April 2018 to include any activity that delivers, or drives demand for, field based services carried out by (or on behalf of) the Food, Farming and Biosecurity System. During 2018/19 the programme was focussed on the roll out of the Field Service Management (FSM) tool to support APHA's delivery of field activity.

FSM is providing automated work allocation and in-field data capture functionality for a number of key APHA work areas, including:-

- Animal by-products inspections.
- Poultry meat marketing.
- Egg marketing.
- Avian influenza survey eligibility checks.
- International catering waste.

Performance Report: APHA's Performance 2018/19

Performance analysis: Much of our work is determined by legislation and 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.

KPIs are agreed with our customers. All have a Red, Amber or Green (RAG) rating associated with them and are reported by the business each month to allow for in year corrective action to take place quickly for either under or over delivery in specific areas.

Full performance reviews take place with our policy customers each quarter and this provides an opportunity for more in depth analysis of the performance information for the Agency and to update on delivery priorities and any adjustments within the reporting year. We also report in detail, at regular intervals, against service level agreements and projects for work carried out for our other customers. Scientific work is certified or accredited by appropriate third party quality systems which provides assurance around standards.

There are a total of 30 KPIs agreed with policy customers and these measure all significant and important work areas including international trade, science, welfare and surveillance. 24 KPIs were met or exceeded, 3 were substantially met, 1 was met in part and 2 were not met.

The two "not met" were:

- *Edge Area: Proportion of live herds under restriction as a result of an OTF-W bTB breakdown.* - The aim is to see a reduction in the number of herds put under restriction due to a TB Breakdown. Long term, the trend is decreasing, however due to changes to testing regimes in areas (which has seen some more testing carried out) this is not reflected in the short term numbers of herds under restriction. Discussions are ongoing with Defra to determine if this is the correct measure and if not what an alternative measure should be.
- *Veterinary Inspector dispatched to immediate level exotic disease within 30 minutes of the decision being made* – the aim in Scotland and Wales is to dispatch an inspector within 30 mins, in one incident the Inspector missed the 30 minute target by only a few minutes and this resulted in the assessment "not met".

Our KPIs are summarised at Annex B.

Better Regulation: APHA continued to contribute to the Government's objective of supporting economic growth by minimising regulatory burdens and finding new and innovative ways of working to support compliant businesses. As part of the Defra Field Activities Programme, APHA has continued to contribute to a reduction in single visit inspections by combining regulatory activities across Defra agencies; for example, combining sheep and goat health surveillance inspections with animal identity checks.

The Agency also continues to participate in the Cabinet Office Regulatory Futures Review, to progress the objective of reviewing regulations and functions. APHA has ensured compliance with the Growth Duty which requires any person exercising a regulatory function to have regard to the desirability of promoting economic growth. This is to ensure that we continue to balance effectively the needs of reducing the regulatory impact on businesses, whilst maintaining the safeguards for animal, plant and public health.

General Data Protection Regulation (GDPR): GDPR (Regulation (EU) 2016/679) is a regulation by which the European Parliament, the Council of the European Union and the European Commission intend to strengthen and unify data protection for all individuals within the European Union (EU). Working with colleagues across the Defra Group, APHA achieved compliance with GDPR and the Data Protection Act 2018. The Defra Group Data Protection Officer (DPO) provides DPO services and assurances to APHA and supports the APHA Data Protection Manager.

Sustainability: During 2018/19, APHA 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 this report is aligned to the Greening Government Commitments (GGC).

Performance Summary

As part of the GGC APHA aimed to:

- Reduce greenhouse gas emissions from the whole estate and business related transport by 38 per cent.
- Reduce the amount of waste against the baseline.
- 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

Greenhouse Gas Emissions		2018/19	2017/18	2016/17	2015/16
Non-financial indicators (tonnes CO2)	Scope 1 emissions (direct)	7,269.10	6,560.40	9,201.10	8,656.00
	Scope 2 emissions (indirect)	5,403.50	8,486.90	9,016.60	11,336.00
	Scope 3 emissions (direct travel)	1,537.80	1,060.00	1,087.30	1,558.00
	Total emissions	14,210.40	16,107.30	19,305.00	21,550.00

Waste Management		2018/19	2017/18	2016/17	2015/16
Recovered or recycled (tonnes)	Recycled or reused	113.88	181.79	107.00	133.00
	Composted	1.95	3.35	1.00	2.00
	Incinerated with energy recovery	863.31	866.75	808.00	773.00
Total recovered or reused		979.14	1,051.89	916.00	908.00
Not recovered or recycled (tonnes)	Incinerated without energy recovery	347.99	382.25	345.00	334.00
	Landfilled	12.28	12.90	18.00	32.00
Total waste (tonnes)		1,339.41	1,447.04	1,279.00	1,274.00

Water consumption	2018/19	2017/18	2016/17	2015/16
Water consumption (m3)	160,242.60	124,198.86	162,887.63	171,221.00

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

GGC Targets

CO2 Reduction 2018/19 vs. baseline	Target 2019	Current Performance
-35%	-38%	Behind target, improved on baseline
Waste Reduction last 4 quarters vs. baseline	Target 2019	Current Performance
-44%	Improve on baseline	Ahead of target
Water Reduction vs. baseline	Target 2019	Current Performance
-14%	Improve on baseline	Ahead of target

Sustainable Procurement & Construction

Our procurement and construction 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.

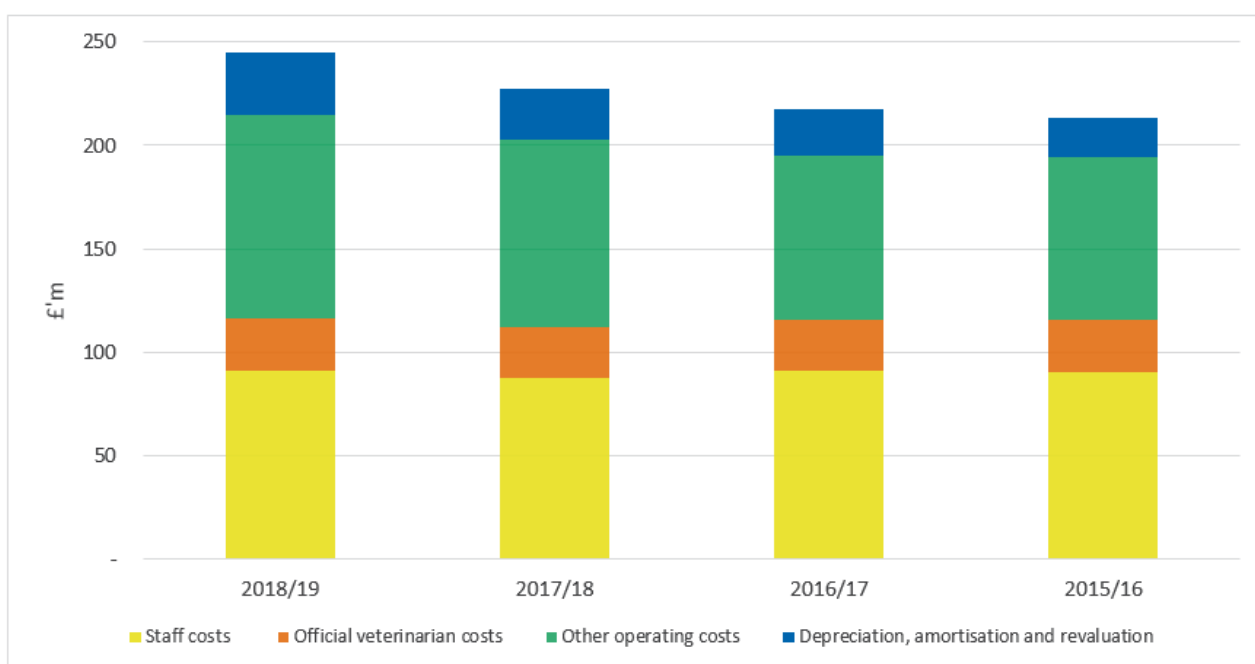
Performance Report: Financial Review

APHA reported gross expenditure of £245.0m for 2018/19, an increase of £17.9m on the prior year, predominantly due to non-current asset impairments.

Of the total expenditure, 29% or £72.1m was funded from external income with the balance funded by grant in aid from Defra.

Comprehensive net expenditure was £173.0m for 2018/19. We are required to treat grant in aid cash receipts from Defra as financing contributions because they are from our sponsoring body. Therefore we credit these directly to the general reserve and do not include them in our net expenditure in the financial statements.

Figure 1: 4-year summary of our expenditure as reported in the financial statements.



More detail on staff costs and other expenditure is provided in the financial statements in the staff report and note 3 respectively.

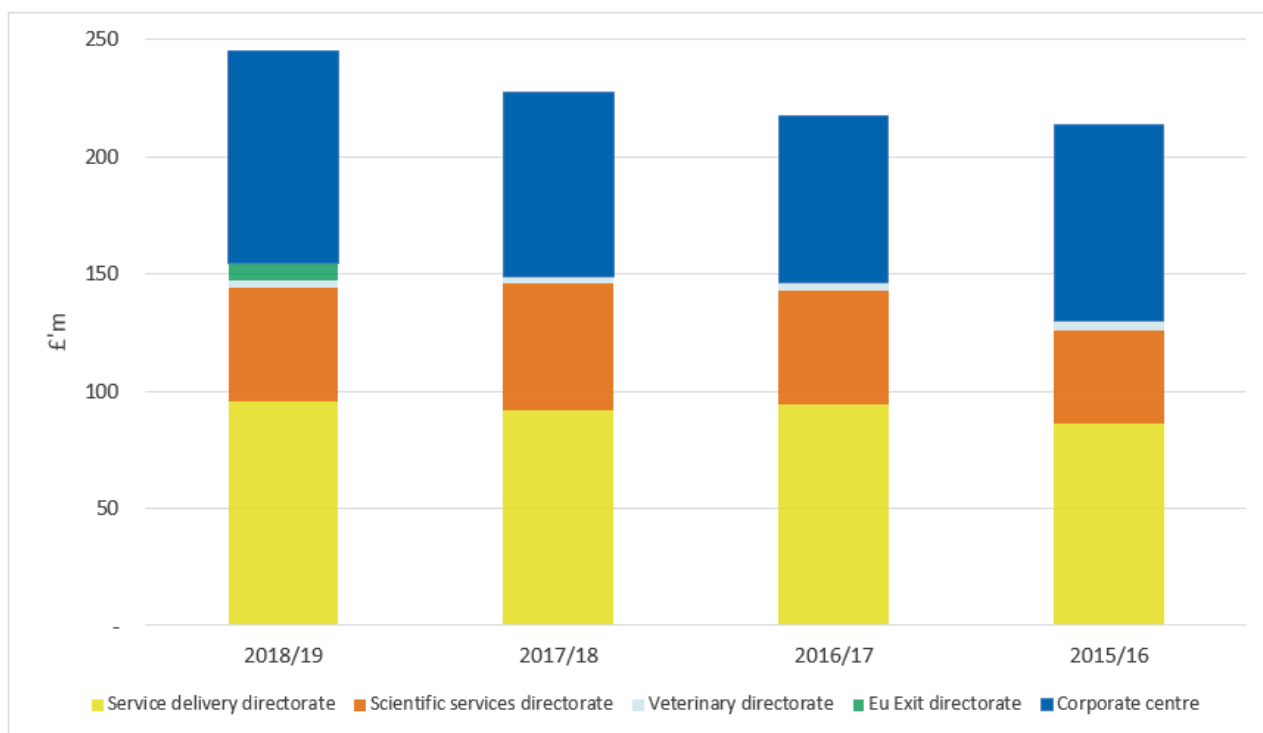
Non-current assets

Non-current assets, which include both operational assets such as science equipment and corporate assets, such as property and IT, have decreased in value by £16.3m. The value of our non-current asset base is £286.3m.

We are required to carry out an independent 5-yearly revaluation of our land and buildings with a desktop exercise in the intervening years. The desk-top exercise in March 2019 resulted in a £12.2m upwards revaluation. This review also considers the remaining economic life of the buildings. The resulting net impairment of £15,358k comprises £2,783k of impairment reversals and £18,141k of downward revaluations. More detail is provided in note 5.

Expenditure

Figure 2: Expenditure by operating segment.



Going concern

The statement of financial position at 31 March 2019 shows taxpayers' equity of £289m (at 31 March 2018 this was £314m). In common with other government executive agencies, the future funding for our liabilities will be as grant in aid from Defra and other external income.

The Government makes decisions about Defra's funding through HM Treasury's spending review process and a proportion of this funding is then allocated to APHA. This process sets funding for all government departments. The latest spending review covers the period up to March 2020 and we have allocated the Defra funding provided by HM Treasury for that period.

We have already received approval for our grant in aid funding for next year and the current spending review period (up to 2019/20). A new spending review is expected to be undertaken in the financial year 2019/20 which will provide greater clarity on the future funding position of the Agency. We expect to be able to manage within the constraints of the funding envelope provided and we have therefore prepared these financial statements on a going concern basis.

Chris Hadkiss,
APHA Chief Executive and Accounting Officer
26 June 2019

Accountability Report: Directors Report

The Chief Executive as the Accounting Officer has personal responsibility and accountability to Parliament through Ministers and also to the Devolved Administrations in Scotland and Wales. In addition, he is responsible for the delivery of APHA services and resources, as well as appointing and line managing the Directors, who also serve on the Directorate Leadership Team (DLT). He is supported and challenged by the APHA Board and its Committees and is line managed by Defra's Director General (DG) for Food, Farming and Animal and Plant Health who acts on Ministers' behalf.

Full details on our board remits, governance structure and attendance records can be found on GOV.UK⁸ and in our Governance Statement on pages 21 to 26.

Complaints: There have been 74 complaints during 2018/19. Complaints vary in subject, with the most being received about TB and small animal imports. While we would hope to avoid such a situation arising in the first place, when problems do occur we follow our complaints process and aim to resolve all complaints quickly to ensure we reduce any time and/or distress for the complainant. Where this is not always possible, the Parliamentary Ombudsman can be asked by the complainant to take a view. There were 2 referrals to the Parliamentary Ombudsman in 2018/19, with the Ombudsman reporting that APHA acted appropriately in handling these cases.

Whistleblowing, Bullying, Harassment and Misconduct: APHA implements and follows the Defra policies in these areas, all of which are reviewed annually by the APHA Audit and Risk Assurance Committee. A range of activities have been carried out over the last 12 months aimed at building confidence and awareness around the raising and handling of concerns. There have been no instances of whistleblowing in the year.

Counter-fraud: The Agency operates under the Defra 'Counter-Fraud and Anti-Bribery and Corruption Policy'. We share intelligence and use best practice to minimise the risks to the Agency. This has included taking part in the National Fraud Initiative and regular reviews by the APHA Audit and Risk Assurance Committee.

⁸ <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/our-governance>

Accountability Report: Statement of Accounting Officer's 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 of 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, Statement of Financial Position and cash flows for the financial year.

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

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

The Accounting Officer of Defra has designated the Chief Executive of APHA as Accounting Officer of APHA. 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.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that APHA's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Accountability Report: Governance Statement

As Accounting Officer, I have responsibility for maintaining effective governance and a sound system of internal control to achieve the Agency's aims and objectives. This statement sets out the key challenges faced by APHA, the issues that have arisen, the risks that remain and the controls in place to manage these.

Assurance and audit findings in this governance statement overall confirm that arrangements are effective.

Oversight by Department for Environment, Food and Rural Affairs (Defra): APHA is an executive agency sponsored by Defra, with regular performance reports, risk assessments and other information provided to Defra through the year.

Governance: As Accounting Officer, I am accountable for delivery and the performance of the Agency, delivering the priorities set by the Secretary of State for Defra and also those of the Scottish and Welsh Governments. Support and advice is provided to me on these issues by the APHA Board (the Board), which also provides scrutiny, challenge and support to the Executive.

An audit of APHA's governance during 2016/17 provided a limited assurance rating. Since then there have been significant improvements that have contributed to improved governance and reporting arrangements.

APHA has recruited and strengthened its complement of Non-Executive Directors. Chris Nicholson was appointed Lead Non-Executive Director and Board Chair in May 2018. Robin Walker was appointed, in March 2019, for 3 years to the Board and Audit and Risk Assurance Committee (ARAC); Mike Venables was appointed to the Board in April 2019 for a 3 year period. These appointments will enhance the skills and experience available to the Board.

To ensure continued improvements, a further Governance Review was carried out in January 2019. The key objective of the review was to evaluate the relationships between Defra and APHA to determine the degree to which accountability was operating effectively. A number of recommendations were made and although not currently part of formal oversight arrangements, the recent implementation of bi-monthly / bi-lateral meetings between Defra and APHA are strengthening the effective collaboration with a shared sense of purpose to deliver APHA and Defra objectives. It was also identified that there is a need to strengthen governance through partnership arrangements between Defra and APHA and a partnership agreement is being drafted for both APHA and Defra to agree and sign in 2019/20.

It was reassuring to me, as Accounting Officer that improvements were acknowledged and continue to be made to Agency governance. This was particularly important as in 2018/19, where there has been uncertainty around the outcome of EU Exit negotiations

whilst maintaining delivery of a broad range of services, the Agency continued to manage the risks and actions to deal with and plan for outbreaks of diseases and pests, and also managed to progress plans to invest in and maintain our critical scientific estate.

APHA Board and Committees of the Board: The Board is chaired by Chris Nicholson, APHA Lead Non-Executive Director; it met 7 times in the year. Chris Nicholson was appointed as Lead Non-Executive and Board Chair in May 2018. The Board comprised 3 additional Non-Executive Directors. These were Julie Fitzpatrick, as Board member and Chair of the APHA Science Advisory Board (SAB); Alison White, as Board member and Chair of the APHA Audit and Risk Assurance Committee (ARAC); Nigel Reader, was a Non-Executive Board member and ARAC member. His appointment ended in April 2019, at which time he became an Independent Member of the ARAC.

The Board also assessed its own performance, using the self-assessment questionnaire developed by the National Audit Office (NAO). This was the first assessment for some time and provided a baseline for following years' assessments. Overall the Board was satisfied with its progress regarding performance and effectiveness, but it was acknowledged that the Board is not as mature as it could be and is still developing and building its capability. There were a number of actions arising from the review and these will be implemented and reviewed throughout the year by the Board.

The Board has also received assurance on the quality of data it receives and the process of internal control from both the Audit and Risk Assurance Committee and senior management of the Agency.

In 2018/19, the Board particularly focussed on:

- The business case for investment in the APHA Science Estate.
- Charging and future income streams for the Agency.
- Strategic risks.
- The plans for EU Exit.
- Financial performance and performance against the corporate scorecard.

During the year, APHA worked closely with Ministers but received no specific Ministerial directions.

In 2018/19, the Board has been supported by four committees:

- Audit and Risk Assurance Committee, chaired by Alison White. The Committee's remit covers risk assurance, control and governance in the Agency. It met 4 times during 2018/19. The Audit and Risk Assurance Committee has dealt with the following major areas of work in the year:

- Regular review of APHA's risk management approach including IT Legacy Systems, EU Exit Systems and EU Exit.
 - Counter fraud arrangements.
 - The annual report and accounts.
 - Internal and external audit plans, outcomes and recommendations.
- Strategic Health and Safety Committee, chaired by me as Chief Executive. It oversees the implementation of APHA's health and safety strategy, and monitors the performance of facilities management, especially for the science estate. The Committee met 4 times during 2018/19.
 - Science Advisory Board, chaired by Professor Julie Fitzpatrick, supports the Board and me as Accounting Officer in our responsibilities for the oversight and assurance of APHA's scientific work. It met 4 times during 2018/19.
 - The Directorate Leadership Team, chaired by me as Chief Executive. It oversees the day to day running and operations of the Agency. It meets every 2 weeks.

Our organisational structure and governance map can be found at Annex A. Full details of the Board remit, governance structure, the remit of committees and attendance records are available on GOV.UK⁹.

Risk Management: The role of the Agency is to mitigate the risk to the national economy and public health caused by animal and plant disease. However, the recent Governance review recognised that, following recent implementation of shared corporate services across the Defra group, ownership and responsibility for some corporate services related risks can become blurred. To address this, Defra, with input from APHA and other group bodies, reviewed its risk management process and updated this to ensure that the process for ownership and management was much clearer and that there is two-way feedback on mitigations and actions.

The Board also held a workshop to review APHA's corporate risks in September 2018. This ensured no risk had been omitted and that the APHA Corporate Risk Register was complete. Following the workshop, outputs were cross referenced with the Corporate Risk Register and amendments made where required. In addition to this, throughout the year, the Agency has assessed how the achievement of its aims and objectives might be affected by the risks it faces. A system of internal control is in place which mitigates those risks, although it is not possible or cost effective to eliminate all risk completely.

The primary risks that were identified and managed during the past year were:

Estate infrastructure: The specialist nature of the scientific estate increasingly requires major investment for the foreseeable future. Some of the critical facilities require renewal

⁹ <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/our-governance>

and/or replacement, and whilst limited investment capital has been made available to address the immediate issues, there will be the need during the next few years for further investment at a significant level. The Agency has worked closely with Defra to build the business case so that the necessary investment can be secured in due course. However, failure to achieve this within the required timescales would present a considerable risk to the future scientific capability of the Agency and indeed, the wider economy.

Financial Sustainability of the Agency: Defra funding is subject to public spending restrictions. There is considerable pressure to reduce funding available for the Agency. This brings with it a risk that APHA will not be able to deliver its core purpose as funding allocations reduce. Uncertainty over external sources of funding - including from the EU “research” based projects due to EU Exit; Devolved Administrations where all revenue is potentially at risk should they elect not to use APHA in the future or seek to reduce their level of funding, and inability to gain approval for the introduction of new charges, all threaten Agency revenues.

EU Exit: The role of the Agency and the way it delivers its services to customers is likely to change once the UK has left the EU. Defra and its agencies are significantly affected by the decision to exit the EU. This has created uncertainty, which has to be managed as processes are put in place, both in terms of influencing the change and ensuring appropriate communications to all relevant stakeholders (Defra, devolved governments, staff and public). There is also a risk in ensuring there is adequate resource allocated to this, given the other major transformation changes already delivered in previous years. To help mitigate this risk, a lead officer (at SCS grade) has been identified to manage this risk, which is regularly reviewed at APHA’s and Defra’s EU exit steering group.

Information technology: The Agency is reliant on a varied portfolio of IT systems, many of which are ageing, moving out of provider support or otherwise in need of replacement. A number of these are business critical and outages or a more fundamental failure would cause significant disruption, both internally and externally. It should be recognised, however, that while the aspiration is to replace and/or modernise these systems at the earliest opportunity, the appropriate balance has to be found between the risk of failure or breakdown and finding cost effective solutions within the context of wider Defra group priorities. These priorities and future operational requirements have undergone further evaluation within the context of EU Exit, and the risk escalated to Defra. The Agency is recognised as being a critical customer of this process.

Information Security Assurance: The Agency holds a significant level of sensitive information commensurate with its size, statutory requirements and essential for business delivery needs. There are data collection policies and controls in place which ensure access to information is managed correctly in accordance with the Data Protection and Freedom of Information Act. There is a Senior Information Risk Owner (SIRO) in place who ensures the overall management of such information.

A member of Defra group staff noted an issue which could have represented a data breach relating to an IT system used to administer payments, receive income and maintain staff records. The issue which related to access to staff records was reported to Defra who escalated it to the Information Commissioner's Office. The issue was immediately rectified and the Information Commissioner's Office have confirmed no further action is required. As a result the matter is now closed.

Business Critical Models: The Agency as recommended in the Macpherson report (2013)¹⁰ and the follow-up report in 2015, ensures that an appropriate quality assurance framework is in place and is used for its business critical models.

The Agency continues to operate a business critical model for Defra. Exodis-FMD is a mathematical model which forms a critical part of Defra and APHA's preparation for and response to a Foot and Mouth Disease (FMD) outbreak to evaluate a range of control strategies. It is used to generate simulated outbreaks for use in training and readiness exercises. The outputs can be fed into Defra's Economic Consequences Model so that the extent of the outbreak and the costs associated with different outbreak scenarios can be calculated and compared.

Head of Internal Audit Opinion: APHA's Head of Internal Audit has worked with the Government Internal Audit Agency (GIAA)¹¹ to provide the APHA internal audit function. The GIAA helps ensure that government and the wider public services provide service effectively. It is an executive agency, sponsored by HM Treasury.

The Head of Internal Audit gave an overall 'Moderate Assurance' for the Agency based upon evidence from his audits and findings.¹²

There was concern in 2017/18 about the delay in the delivery of the programme of internal audit reviews and whether sufficient work could be completed to enable a proper provision of advice to the Accounting Officer. Although some improvements have been made, there continues to be a concern.

A total of 7 audits were carried out in this reporting period:-

- 5 resulted in "Moderate" assurance ratings (Data Quality – Financial Planning System, Operations Manual – Welfare; Governance Review; Contract Management – Devolved Admin and Defra Service Level Agreements and Sheep and Goat Scheme).
- 2 received "Limited" assurance:

¹⁰ <https://www.gov.uk/government/publications/review-of-quality-assurance-of-government-models>

¹¹ <https://www.gov.uk/government/organisations/government-internal-audit-agency/about>

¹² This opinion is based on a scale of "unsatisfactory", "limited", "moderate" and "substantial".

- *Customer Service Centre Centralisation.* The purpose of this audit was to assess the extent to which APHA had the capability to demonstrate benefits in relation to the centralisation of administrative processes within the Customer Service Centres (CSCs). It was found that APHA had done as much as it could have to consider the information and measures required to provide evidence that intended benefits had been achieved. Consequently, APHA was not in a position where it can quantify actual (as opposed to forecast or anecdotal) savings and efficiencies arising from its programme to centralise administrative functions. It does, however, now have qualitative measures in place to show that agreed processes are being applied consistently.
- *Operations Manual – Exotic Diseases.* The purpose of this audit was to assess the effectiveness of the instructions and updates to the staff instructions and processes to be followed in an exotic disease outbreak. There were failings identified with processes not being consistently applied. However, the issues identified in our testing, did not have a bearing on the overall GB disease status. Improvements have been identified and are being implemented to safeguard the overall effectiveness and efficiency of the control framework currently in place.

Conclusion: As Accounting Officer, I have considered the evidence provided regarding the production of the governance statement and the independent advice and assurance provided by the Audit and Risk Assurance Committee. I have concluded that the Agency has appropriate risk management and control systems in place.

Accountability Report: Remuneration Report

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.

Chris Hadkiss	Chief Executive
Simon Hall	Director of EU Exit and Trade (to 7 January 2019)
Ian Hewett	Director of Service Delivery, EU Exit and Trade
David Harris	Interim Veterinary Director (to 30 June 2018)
Andrew Soldan	Veterinary Director (from 4 June 2018)
Kath Webster	Director of Scientific Services
Dave Webster	Defra Finance Director with responsibility for APHA
Nicola Spence	Chief Plant Health Officer, Non-Aligned Director
Christine Middlemiss	Chief Veterinary Officer, Non-Aligned Director
Chris Nicholson	Non-Executive Director and Chair of the Board (from 1 May 2018)
Nigel Reader	Non-Executive Director and Member of Audit & Risk Assurance Committee
Julie Fitzpatrick	Non-Executive Member of Science Advisory Board
Alison White	Non-Executive Director and Chair of Audit & Risk Assurance Committee
Robin Walker	Non-Executive Member (from 18 March 2019)

Directorate Leadership Team: The Directorate Leadership Team (DLT) is responsible for 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	Director of EU Exit and Trade (to 7 January 2019)
Ian Hewett	Director of Service Delivery, EU Exit and Trade
David Harris	Interim Veterinary Director (to 30 June 2018)
Andrew Soldan	Veterinary Director (from 4 June 2018)
Dave Webster	Defra Finance Director with responsibility for APHA
Kath Webster	Director of Scientific Services
Nadia Khan	Defra HR Deputy Director with responsibility for APHA (from 27 th March 2019)
Jill Moray	Defra Senior HR Business Partner with responsibility for APHA
Simon Hewitt	Deputy Director of Service Delivery
Paul Townsend	Deputy Director of Service Delivery

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 <https://www.gov.uk/government/organisations/office-of-manpower-economics>.

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 2019 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 (NEDs) are typically appointed on three year fixed term contracts which may be subject to early termination by either party. Any early termination by APHA would be without compensation to the NED.

The non-aligned Directors receive their remuneration from Defra; there is no cost to APHA.

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 Agency and treated by HM Revenue and Customs as a taxable emolument.

Pay Multiples (Audited): 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.

	2018/19	2017/18
Annualised band of highest paid director remuneration (£'000)	130-135	130-135
Median total remuneration (£)	26,733	26,682
Ratio	5.0	5.0

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

The banded remuneration of permanent employees in the Agency ranged from £15,000-£20,000 to £130,000-£135,000(2017/18: £15,000-£20,000 to £130,000-£135,000). In 2018/19, no permanent staff received full-time equivalent remuneration in excess of the highest paid director (2017/18: None).

Remuneration of Non-Executive Directors (Audited)¹³

Name	Date of appointment	Period of appointment	Remuneration 2018/19 (£'000)	Remuneration 2017/18 (£'000)
Anne Tutt	01/11/2014	3 years	-	0-5
Alison White	01/02/2017	3 years	10-15	10-15
Julie Fitzpatrick	18/09/2017	3 years	5-10	0-5
Nigel Reader	26/09/2017	19 months	5-10	5-10
Chris Nicholson	01/05/2018	3 years	5-10	-
Robin Walker	18/03/2019	3 years	0-5	-

¹³ Anne Tutt’s remuneration was paid through Defra payroll rather than APHA as she was also a member of the Defra Audit & Risk Committee

Remuneration and Pension Entitlements (Audited)

The emoluments and pension entitlements of the APHA Board members in 2018/19 were as follows¹⁴ (2017/18 in italics):

	Salary Banding	Bonus Banding	Benefits in kind	Pensions Benefits	Total
	£'000	£'000	Nearest £100	£'000	£'000
Chris Hadkiss	130-135 <i>(130-135)</i>	0 <i>(0)</i>	0 <i>(0)</i>	60 <i>(14)</i>	190-195 <i>(145-150)</i>
Simon Hall (to 7 January 2019)	55-60 FYE 75-80* <i>(75-80)</i>	0 <i>(0)</i>	0 <i>(0)</i>	4 <i>(2)</i>	60-65 FYE 80-85* <i>(75-80)</i>
David Harris (to 30 June 2018)	20-25 FYE 80-85* <i>(15-20 FYE 75-80*)</i>	0 <i>(0)</i>	0 <i>(0)</i>	18 <i>(9)</i>	35-40 FYE 95-100* <i>(20-25 FYE 125-130*)</i>
Andrew Soldan (from 4 June 2018)	65-70 FYE 80-85* <i>(0)</i>	0 <i>(0)</i>	0 <i>(0)</i>	46 <i>(0)</i>	110-115 FYE 125-130* <i>(0)</i>
Ian Hewett	75-80 <i>(50-55 FYE 70-75*)</i>	5-10 <i>(0)</i>	0 <i>(0)</i>	28 <i>(44)</i>	110-115 <i>(95-100 FYE 115-120*)</i>
Kath Webster	75-80 <i>(75-80)</i>	0-5 <i>(10-15)</i>	0 <i>(0)</i>	31 <i>(5)</i>	110-115 <i>(90-95)</i>
Dave Webster	110-115 <i>110-115</i>	10-15 <i>(0)</i>	0 <i>(0)</i>	42 <i>((14))</i>	165-170 <i>95-100</i>
Directors on the APHA Board during 2017/18					
Kirsty Shaw (to 30 June 2017)	0 <i>20-25 FYE 90-95*</i>	0 <i>(0)</i>	0 <i>(2,300)</i>	0 <i>(7)</i>	0 <i>30-35 FYE 130-135*</i>

*Full year equivalent salary for board members who served part year with APHA

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 2018/19 for APHA.

Dave Webster is included above, as although paid by Defra, he is a member of the Management Board and is deemed to be in a position to influence APHA decisions.

¹⁴ 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" excludes increases due to inflation or any increase or decrease due to transfer of pension rights.

Pension Benefits (Audited)

	Accrued pension at pension age as at 31 March 2019	Accrued Lump Sum at pension age as at 31 March 2019	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019	CETV at 31 March 2018	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 2019							
Chris Hadkiss	85 – 90	0	2.5 – 5	1431	1248	44	0
Simon Hall (to 7 January 2019)	25 - 30	80 – 85	0 – 2.5 plus a lump sum of 0 – 2.5	661	604	4	0
David Harris (to 30 June 2018)	30 - 35	90 – 95	0 – 2.5 plus a lump sum of 2.5 – 5	706	682	18	0
Andrew Soldan (from 4 June 2018)	15 - 20	55 - 60	0 - 2.5 plus a lump sum of 5 - 7.5	440	368	44	0
Ian Hewett	35 - 40	110 – 115	0 – 2.5 plus a lump sum of 2.5 – 5	869	766	28	0
Kath Webster	35 - 40	0	0 – 2.5	723	623	28	0
Dave Webster	75 - 80	0	2.5 – 5	1495	1307	41	0
Directors on the APHA Board during 2017/18							
Kirsty Shaw (to 30 June 2017)	0	0	0	0	326	0	0

Dave Webster is included above, as although paid by Defra, he is a member of the Management Board and is deemed to be in a position to influence APHA decisions.

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

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from the lifetime allowance tax which may be due when pension benefits are taken.

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 HM Treasury. Further information on these pension schemes is provided in the Staff Report.

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

Accountability Report: Staff Report

Staff Costs (Audited)

	2018/19	2017/18
	£'000	£'000
Salaries	67,312	64,432
Employer's National Insurance Contributions	7,026	6,780
Employer's Pension Contributions	13,748	13,207
	88,086	84,419
Agency Staff	2,733	1,920
Staff Exit Costs	142	1,614
	2,875	3,534
Total Staff Costs	90,961	87,953

The apprenticeship levy was introduced from 1 April 2017 and payment of the levy is considered a form of taxation. The levy is included in the employer's national insurance contributions line in the table above.

APHA has consultancy spend of £105k for the year ended 31 March 2019 (2017/18: £67k). This is included within operating costs – programme service delivery costs shown in Note 3.

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

In addition to the costs shown above, agency staff costs of £236k (2017/18: £191k) have been capitalised. These are included within the additions to IT Software and Assets in the Course of Construction shown in Note 6 – Intangible Assets.

Under IAS 19 Employee Benefits, an accrual has been established for staff leave due, but not taken at 31 March 2019; this employee benefit is payable in 2019/20.

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 2018/19, employer's contributions of £13,480k were payable to the PCSPS (2017/18: £12,933k) 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. The majority of Principal Civil Service Scheme

members (includes classic, classic plus, premium and nuvos) have moved to alpha. Most new members will also join alpha.

Employees can opt to open a partnership pension or a stakeholder pension with an employer contribution. Employer's contributions of £260k (2017/18: £265k) were paid to appointed stakeholder pension providers. Employer contributions are age related and range from 8% to 14.75% of pensionable pay. APHA also matches employee contributions up to 3% of pensionable pay. In addition, employer contributions of £Nil (2017/18: £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 2019 were £8k (2017/18: £9k).

Three members of staff (2017/18: six) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £17k (2017/18: £16k).

Average Number of Persons Employed (Audited)

Average Number of Full Time Equivalent Staff	2018/19	2017/18
	FTE	FTE
Science staff	386	410
Veterinary staff	295	310
Technical staff	239	250
Administrative and managerial staff (all disciplines) incl agency	1,159	1,022
Inspectorate staff	164	162
	2,243	2,154

Average Number of Full Time Equivalent Staff	2018/19	2017/18
	FTE	FTE
Permanently employed staff	2,050	1,990
Fixed term contracts and inward secondment	78	51
Temporary and agency staff	115	113
	2,243	2,154

The table below provides the number of Senior Civil Servants or equivalent by pay-band:

Senior staff by pay-band	31 March 2019	31 March 2018
Pay-band 3	0	0
Pay-band 2	1	1
Pay-band 1	5	4

The remuneration and emoluments of the APHA Board are set out in the Remuneration Report starting on page 27 of this annual report.

Reporting of Civil Service and Other Compensation Schemes – Exit Packages (Audited)

During the year no employees have left APHA under early release schemes. The cost of £142k in the staff costs relates to payments to staff who have left the Agency due to other reasons.

The 2017/18 disclosure of £1,342k is included in the total exit costs of £1,614k; the balance of £272k relates to top up payments following the 2016 Civil Service Compensation Scheme Judicial Review regarding exit packages.

Exit Package Cost Band	2018/19			2017/18		
	Number of early release schemes	Number of other departures agreed	Total number of exit packages	Number of early release schemes	Number of other departures agreed	Total number of exit packages
<£10,000	-	1	1	1	-	1
£10,000 - £25,000	-	1	1	16	-	16
£25,000 - £50,000	-	1	1	21	1	22
£50,000 - £100,000	-	1	1	3	-	3
£100,000 - £150,000	-	-	-	1	-	1
£150,000 - £200,000	-	-	-	-	-	-
£200,000>	-	-	-	-	-	-
Total number of exit packages by type	-	4	4	42	1	43
Total resource cost (£'000)	-	142	142	1,311	31	1,342

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 2018/19 (2017/18: Nil).

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.

- Ensure 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.

Gender Split 1819	Female	Male
Directors	1	5
Senior Managers	70	108
Other Staff	1413	942
Gender Split 1718	Female	Male
Directors	1	4
Senior Managers	61	102
Other Staff	n/a	n/a

We participate in a recruitment system that, 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. The aim of the training is to raise awareness and support all 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.

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.

Sickness absence data	2018/19	2017/18
No of Sick Days	10,113	9,120
No of Staff	2,163	2,093
Average days lost per employee	4.68	4.36

Trade Union Facility Time: In accordance with the requirements of the Trade Union (Facility Time Publication requirements) Regulations 2017 the following is a summary of trade union officials of employees and facility time usage of this group during the 2018/19 year.

In APHA 27 (26 FTE) employees were Trade Union (TU) representatives. Of these, 27 employees spent up to 50 percent of their working hours on facility time.

The total cost of the facility time was £68,606 which is 0.10 percent of the total pay bill. The total pay bill cost was £68,003k.

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.

For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months	
Number of existing engagements as of 31 March 2019	2
Of which:	
Number that have existed for less than one year at the time of reporting	0
Number that have existed for between one and two years at the time of reporting	1
Number that have existed for between two and three years at the time of reporting	0
Number that have existed for between three and four years at the time of reporting	0
Number that have existed for between four or more years at the time of reporting	1

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 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 2018 and 31 March 2019	0
Of which:	
The number of these engagements which were assessed as caught by IR35	0
The number of these engagements which were assessed as not caught by IR35	0
The number that were engaged directly (via PSC contracted to department) and are on the departmental payroll	0
The number that were reassessed for consistency / assurance purposes during the year	0
The number that saw a change to IR35 status following the consistency review	0

For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months	
For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019	
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 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	14

Accountability Report: Parliamentary Accountability Report

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 Agency or material non-compliance in the 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.

Fees and Charges (Audited)

APHA's fees and charges are approved by Ministers and then set in statute. Our objective for charging is to ensure that we recover our estimated actual costs for delivering the service. Eligible recoverable costs are guided by HM Treasury's Managing Public Money handbook.

New statutory legislation was introduced in April 2018 to amend fees to full cost recovery for Plant Health Regulations and in June 2018 for six schemes under Animal Health Regulations. Also under Animal Health Regulations, new Statutory Instruments were introduced for three schemes – Pet Passports, which were introduced in full at the outset, Animal By-Products and Animal Gatherings, which are being phased in over two years and will be at full cost recovery by 2019/20 resulting in an under-recovery in these areas this year.

There was an under-recovery in relation to some plant health work due to variation in activity volumes.

Under Animal Health Regulations, APHA's activities in connection with CITES (Convention on International Trade in Endangered Species) are currently covered by the 2013 Statutory Instrument which has resulted in an under-recovery. The fees are undergoing review with the intention to update the associated legislation in 2020.

There were no areas identified in the year where we have overcharged.

All other existing statutory fees are being reviewed during 2019/20 to ensure they continue to recover APHA's costs in relation to delivering the associated services.

The table below sets out the amount of income we have received across the different areas of service which APHA provides.

Legislation	Total income received	Total expenditure
	£'000	£'000
Animal Health Regulations 2013 & 2018	1,362	2,006
Plant Varieties and Seeds 2001, 2006 & 2011	2,684	2,730
The Animal Gatherings Order 2018	27	42
The Animal By-Products and Pet Passport Regulations 2018	504	680
The Disease of Animals (Approved Disinfectants) 2011	205	207
The Plant Health (Fees) (England) Regulations 2018	4,481	4,496
The Plant Health (Export Certification) (England) (Amendment) Order 2018	874	1,256
The Poultry Compartments Order 2010	45	45
The Welfare of Wild Animal in Travelling Circuses 2012	4	4
The Welfare of Animals at the Time of Killing Regulation 2015	9	9
Wildlife and Countryside Act 1982	15	15
Total	10,210	11,490

Remote Contingent Liabilities (Audited)

APHA does not have any remote Contingent Liabilities as at 31 March 2019; this was the same as at 31 March 2018.

Losses and Special Payments (Audited)

For 2018/19, we can report that there were no losses or special payments which exceeded £300k.

Chris Hadkiss,
 APHA Chief Executive and Accounting Officer
 26 June 2019

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Animal and Plant Health Agency for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2019 and of the total comprehensive net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Animal and Plant Health Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Animal and Plant Health Agency's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Animal and Plant Health Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Performance Report and Accountability Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover

the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

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 Accountability Report 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.

Gareth Davies

01 July 2019

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

		2018/19	2017/18
	Note	£'000	£'000
Revenue from contracts with customers	4	(71,973)	(74,795)
Other operating income	4	(90)	(27)
Total operating income		(72,063)	(74,822)
Staff costs	3	90,961	87,953
Total staff costs		90,961	87,953
Other operating costs			
Official veterinarian costs	3	25,722	24,518
Operating costs	3	37,799	39,284
Non-cash costs	3	90,545	75,421
Total non staff costs		154,066	139,223
Total operating expenditure		245,027	227,176
Total comprehensive net expenditure / (income)		172,964	152,354
OTHER COMPREHENSIVE EXPENDITURE			
Net loss / (gain) on revaluation of property, plant and equipment		(12,208)	(18,534)
Net loss / (gain) on revaluation of intangibles		(72)	(409)
Total comprehensive expenditure / (income) for the year ended 31 March 2019		160,684	133,411

All income and expenditure is derived from continuing operations.

The notes on pages 48 to 70 form part of these financial statements.

Statement of Financial Position as at 31 March 2019

		31 March 2019	31 March 2018
	Note	£'000	£'000
Non current assets			
Property, plant and equipment	5	274,019	289,598
Intangible assets	6	12,282	13,025
Total non current assets		286,301	302,623
Current assets			
Inventories		3,107	1,753
Trade and other receivables	8	6,401	10,585
Other current assets	8	11,324	8,340
Cash and cash equivalents	9	2,252	16,727
Total current assets		23,084	37,405
Total assets		309,385	340,028
Current liabilities			
Trade and other payables	10	(4,991)	(5,071)
Contract liabilities	10	(2,179)	-
Other liabilities	10	(13,306)	(20,777)
Provisions		(150)	(576)
Total current liabilities		(20,626)	(26,424)
Total assets less current liabilities		288,759	313,604
Non current liabilities			
Contract liabilities		-	-
Lease obligations		-	-
Provisions		-	-
Total non current liabilities		-	-
Assets less liabilities		288,759	313,604
Taxpayers' equity			
General fund		160,079	179,560
Revaluation reserve		128,680	134,044
Total taxpayers' equity		288,759	313,604

The notes on pages 48 to 70 form part of these financial statements.

Chris Hadkiss,
 APHA Chief Executive and Accounting Officer
 26 June 2019

Statement of Cash Flows for the year ended 31 March 2019

	2018/19	2017/18
	£'000	£'000
Cash flows from operating activities		
Net operating income / (expenditure)	(172,964)	(152,354)
Adjustments for non-cash transactions	90,705	75,380
(Profit) / loss on disposal of non current assets	(29)	47
(Increase) / decrease in trade and other receivables	1,040	(5,514)
Less movements in receivables relating to the implementation of IFRS 9	160	-
(Increase) / decrease in inventories	(1,354)	180
Increase / (decrease) in trade payables	(5,372)	2,373
Movement in provisions	(426)	550
Net cash outflow from operating activities	(88,240)	(79,338)
Cash flows from investing activities		
Purchase of property, plant and equipment	(751)	(1,270)
Purchase of intangible assets	(750)	(561)
Proceeds from the disposal of non current assets	31	3
Net cash outflow from investing activities	(1,470)	(1,828)
Cash flows from financing activities		
Net cash requirement received / (paid) from Defra	75,235	83,715
(Decrease) / increase in non current lease obligations	-	-
Net cash outflow from financing activities	75,235	83,715
Change in cash and cash equivalents		
Cash and cash equivalents at 1 April	16,727	14,178
(Decrease) / Increase in cash	(14,475)	2,549
Cash and cash equivalents at 31 March	2,252	16,727

The notes on pages 48 to 70 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

		General fund	Revaluation reserve	Total Reserves
	Note	£'000	£'000	£'000
Balance at 1 April 2017		181,347	122,211	303,558
Transfers between reserves		7,110	(7,110)	-
Non-cash charges - notional charges	3	51,023	-	51,023
Non-cash adjustments		8,719	-	8,719
Comprehensive net expenditure for the year		(152,354)	-	(152,354)
Net gain on revaluation of property, plant and equipment	5	-	18,534	18,534
Net gain on revaluation of intangible assets	6	-	409	409
Parliamentary funding received		83,715	-	83,715
Balance at 31 March 2018		179,560	134,044	313,604
IFRS 9 carrying amount adjustment	8	160	-	160
Adjusted opening balance 1 April 2018		179,720	134,044	313,764
Transfers between reserves		17,644	(17,644)	-
Non-cash charges - notional charges	3	60,444	-	60,444
Comprehensive net expenditure for the year		(172,964)	-	(172,964)
Net gain on revaluation of property, plant and equipment	5	-	12,208	12,208
Net gain on revaluation of intangible assets	6	-	72	72
Parliamentary funding received		75,235	-	75,235
Balance at 31 March 2019		160,079	128,680	288,759

The notes on pages 48 to 70 form part of these financial statements.

Notes to the Accounts

1. Statement of Accounting Policies

1.1. Basis of Preparation

The financial statements have been prepared in accordance with the 2018/19 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.

1.2. Accounting Convention

These accounts have been prepared on an accruals basis, under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets. The accruals basis of accounting means reporting income and expenditure when it is incurred rather than when it is received or paid. These financial statements are based on the going concern principle.

1.3. Significant Judgements and Estimation Uncertainty

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

Non-Current Assets

- The useful economic lives of assets that form the basis of periods over which property, plant and equipment is depreciated (reported in notes 3 and 5) and intangible assets are amortised (reported in notes 3 and 6).
- The impairment of property, plant and equipment, and intangible assets (reported in notes 3, 5 and 6).
- Non-current assets are valued at current replacement cost as described in notes 1.7.2. Non-freehold property, tangible and intangible assets are revalued using indices. Indexation rates published by the Office for National Statistics are used as a basis for estimating current replacement cost for non-property assets and Halifax rates are used for non-freehold property assets.

Official Veterinarians

- An estimate is included in the accounts for tests which the Official Veterinarians have undertaken but have not been concluded at the end of March. The estimate is based upon the volume of tests allocated to Official Veterinarians in March using test values as set out in the contract.

Revenue

- APHA determines at the inception of a contract whether it satisfies each contractual performance obligation over time or at a point in time. If APHA does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.
- APHA receives monies for undertaking scientific projects. These projects can span financial years and as such APHA accrues or defers income and expenditure, as appropriate, based on whether the performance obligations in the contract have been satisfied.
- APHA satisfies a performance obligation and recognises revenue over time if one of the following criteria is met:
 1. The Agency's performance does not create an asset with an alternate use to APHA and APHA has an enforceable right to payment for performance to date.
 2. The Agency's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
 3. The customer simultaneously receives and consumes the benefits provided by APHA's performance as it performs.

For performance obligations where one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Provisions

- Provisions include an estimate of future liabilities based on information available when the accounts are approved.

Annual Leave Accrual

- The annual leave accrual is calculated on a randomly selected sample of 10% of each staff grade. This is then used to calculate a statistical approximation of the overall staff population's outstanding leave and flexi leave to derive an accrual figure.

1.4. Income Recognition

Operating income disclosed in the accounts relates directly to the operating activities of APHA. Under the previous accounting policies, income was recognised on an accruals basis using work undertaken during the year to ascertain the stage of completion for service contracts. Under IFRS 15 income is recognised when the performance obligations in the contract are satisfied.

APHA recognises revenue from contracts with customers in accordance with the five stage model set out in IFRS 15 Revenue from Contracts with Customers. These steps are:

Step 1. Identify contract(s) with a customer: a contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify performance obligations in the contract: a performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Agency expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: for a contract that has more than one performance obligation, the Agency allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Agency expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) a performance obligation is satisfied.

Details of APHA's main performance obligations, how and when they are satisfied, and the determination of transaction prices is detailed in Note 4.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, or for income in the current year but the performance obligation in the contract is not satisfied, then that income is deferred and recognised as a contract liability in the accounts.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract.

From 1 April 2016, instead of funding from Defra being recorded as income, it is now treated via equity under Parliamentary funding to improve accountability and transparency of funding, and as required by the FReM. The Statement of Changes in Taxpayers Equity now clearly states the funding element and brings the Agency into line with the other government departments regarding the treatment of funding.

1.5. Expenditure on Goods and Services

Expenditure on goods and services is recognised when, and to the extent that, they have been received. It is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

1.6. Expenditure on Employee Benefits

1.6.1. Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

1.6.2. Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The scheme is an unfunded, defined benefit scheme. It is not possible for APHA to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme. Employer's pension cost contributions are charged to operating expenditure on an accruals basis.

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.

Additional pension liabilities arising from early retirements are not funded by the scheme and the Agency meets the additional cost. Although the Early Departure Provision for additional pension costs is a liability of APHA, it is actually paid by Defra.

Pension arrangements are described in the Staff Report.

1.6.3. Apprenticeship Levy

Introduced from 1 April 2017, payment of the levy is considered a form of taxation and is accounted for as a tax expense as part of staff costs.

Income received in APHA's Digital Apprenticeship Service (DAS) account is considered to be a government grant for accounting purposes as resources (the training services) are transferred to the entity in return for compliance with certain conditions (providing approved training to its employees). Such assistance would be recognised as grant income at the same point in time that an associated expense for training services is recognised, as per IAS 20.

1.7. Non-Current Assets

1.7.1. Recognition

Property, Plant and Equipment is capitalised in the month expenditure is incurred when:

- it is held for use in delivering services or for administrative purposes;
- it is expected to be used for more than one financial year end;
- the cost of the item can be measured reliably;
- it individually has a cost of at least £10,000; or
- it collectively has a cost of at least £10,000 where the assets are functionally interdependent, the individual items have broadly simultaneous disposal dates and are under single managerial control.

APHA occupies both specialist laboratory and general 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.

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

Capital expenditure by Defra on the Weybridge site is transferred from Defra via the general fund and recognised on APHA's fixed asset register when the asset is available for use.

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

(i) All freehold land and buildings comprising the farms attached 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.

1.7.2. Measurement

1.7.2.1. Valuation of Property, Plant and Equipment

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 desktop review undertaken by Defra's appointed valuer, Montagu Evans, 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.

Every 5 years, when the land and buildings are professionally revalued, the accumulated depreciation is reset to zero, whereas the revaluation in the intervening years is adjusted through both cost and depreciation.

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.

APHA transfer revaluation reserves to meet the costs of excess depreciation charges in the general fund.

Backlog depreciation will arise on indexed assets as the difference between original depreciation and revised depreciation following indexation. This is recognised through the SoCNE as a debit against the revaluation reserve.

Assets in the course of construction are not revalued until the asset concerned is brought into service.

1.7.2.2. Valuation of Intangible Assets

Software licences are valued at historic cost. They are capitalised where the licence period is for more than two years and the cost is greater than £10,000. Software licences are amortised over the term of the licence or their useful economic life, if shorter.

Internally generated software and software licences are regularly revalued by using appropriate indices provided by the Office for National Statistics.

Intangible 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.

1.7.2.3. Subsequent Expenditure

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

1.7.2.4. Research and Development

APHA's expenditure on research activities is written off to the SoCNE 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).

1.7.3. Depreciation and Amortisation

Land and properties under construction are not depreciated. Tangible Assets in the course of construction are not depreciated until the asset is available for use.

Otherwise, depreciation and amortisation are charged on a straight line basis to write off the costs or valuation of tangible and intangible non-current assets, less any residual value, over their estimated lives. The estimated useful economic life of an asset is the period over which the Agency expects to obtain economic benefits or service potential from the asset. This is specific to the Agency and may be shorter than the physical life of the asset itself. The estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

Useful economic lives applied for depreciation charges

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 SoCNE in the month of acquisition and assets are not depreciated in the month of disposal.

Useful economic lives applied for amortisation charges

Software Licences	2 - 15 years
Internally Generated Software	2 - 15 years

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.

The Agency does not hold any intangible assets with an indefinite useful life.

1.7.4. Impairment

APHA reviews its assets annually to identify those where the recoverable amount of assets falls below their carrying amount. The treatment of any impairment losses is dependent on whether they are result of:

- Consumption of economic benefit or reduction in service potential – if this is the case the loss is taken to the SoCNE.
- A change in market value – in this case the fall in value will first be offset against the accumulated balance in the revaluation reserve (if any) and, once that element of the reserve is exhausted, the remainder of the fall in value will be taken to the SoCNE.

1.8. 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 SoCNE 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.

1.9. Inventory

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. The cost of inventories is measured using the first in, first out (FIFO) method. This is considered to be a reasonable approximation to fair value due to the high turnover of stock.

For inventory where there is no or minimal expectation of consumption or sale in the ordinary course of business, the value is impaired to reduce it to Net Realisable Value by means of a stock obsolescence provision.

1.10. 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.

1.11. Value Added Tax (VAT)

APHA is covered by Defra's VAT registration. A significant proportion of the activities of APHA are outside the scope of VAT and in general output tax does not apply and input tax on purchases is not recoverable. An element of recovery of input tax does take place under the contracted-out services provisions applicable to government departments. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.12. 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.

1.13. Financial Instruments

The Agency holds a range of financial instruments (trade payables and trade receivables), 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.

IFRS 9 was effective from 1 April 2018 for APHA. The simplified approach to impairment using the expected credit loss model has been applied. The difference between the

previous carrying amount and the carrying amount at 1 April 2018 has been recognised in the opening general fund within Taxpayer's Equity.

A general impairment provision based on expected credit losses has been created, using a standard 1% of anticipated external UK sales values for 2019/20; and a standard 2% of anticipated export sales values for 2019/20 (the latter to recognise the additional challenges of collecting foreign debt where there is no legal redress). This is a change to the previous accounting policy, as required by the adoption of IFRS 9 from 1 April 2019, where the provision was based on specific invoices classified as being seriously overdue.

1.14. Notional Charges

Defra provides a number of services centrally and the cost of these is shown as notional charges. The value of notional charges is determined by Defra. Further details are provided in note 3.

1.15. Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into sterling using the rate of exchange at 31 March 2019, 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 SoCNE.

1.16. Impending Application of Newly Issued Accounting Standards Not Yet Effective

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new International Financial Reporting Standards (IFRSs), amendments and interpretations that are or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. Those with relevance to APHA are outlined below. APHA has not adopted any new IFRSs early.

- IFRS 16: Leases. The implementation of this standard has been delayed and is now effective for accounting periods beginning on or after 1 January 2020. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed. The impact on APHA has not yet been fully assessed but is not expected to be material.

2. Operating Segments

2.1 Expenditure and Income 2018/19

Region/Sector	Total expenditure	Total income	Net expenditure
	£'000	£'000	£'000
Service delivery directorate	95,825	(51,688)	44,137
Scientific services directorate	48,424	(20,285)	28,139
Veterinary directorate	2,752	-	2,752
EU Exit directorate	7,175	-	7,175
Corporate centre, notional charges, depreciation and amortisation	75,403	-	75,403
	229,579	(71,973)	157,606
Apprenticeship levy training / (grant income)	90	(90)	-
Revaluation deficits / (surpluses) not covered by previous revaluation surpluses and increases in provisions	15,358	-	15,358
Totals	245,027	(72,063)	172,964

The table summarises the management accounts prepared by APHA during the course of 2018/19 and is split in terms of operations.

a. 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.

b. Interest

The Agency had no interest revenue or expense.

c. 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.

2.2 Expenditure and Income 2017/18

Region/Sector	Total expenditure	Total income	Net expenditure
	£'000	£'000	£'000
Service delivery directorate	91,645	(53,019)	38,626
Scientific services directorate	54,229	(21,776)	32,453
Veterinary directorate	2,804	-	2,804
EU Exit directorate	-	-	-
Corporate centre, notional charges, depreciation and amortisation	78,921	-	78,921
	227,599	(74,795)	152,804
Apprenticeship levy training / (grant income)	27	(27)	-
Revaluation deficits / (surpluses) not covered by previous revaluation surpluses and increases in provisions	(450)	-	(450)
Totals	227,176	(74,822)	152,354

3. Operating Costs

	2018/19	2017/18
	£'000	£'000
Staff costs		
Salaries	67,312	64,432
Social security costs	7,026	6,780
Pension costs	13,748	13,207
Other staff costs	2,875	3,534
Total staff costs	90,961	87,953
Official veterinarian costs		
Official veterinarian costs	25,722	24,518
Total official veterinarian costs	25,722	24,518
Operating costs		
Veterinary and laboratory costs	14,319	13,924
Outsource laboratory and technical Services	6,832	9,282
Programme service delivery costs	6,098	5,774
Travel and subsistence	5,941	5,363
IT costs	2,000	1,545
Service level agreements	1,551	1,654
Training	1,134	1,107
Apprenticeship levy training	90	27
(Profit) / loss on disposal of fixed assets	(29)	47
Estates and accommodation costs	(137)	561
Total other operating costs	37,799	39,284
Non-cash costs		
Defra notional charges	60,444	51,023
Depreciation and amortisation	14,743	24,848
Revaluation deficits / (surpluses) & impairments	15,358	(450)
Total non-cash costs	90,545	75,421
Total non staff costs	154,066	139,223

For 2018/19 the operating costs note has been reclassified to reflect the underlying nature of the expenditure. The 2017/18 numbers have therefore been represented to reflect the new classification as well as the apprenticeship levy training figure not previously disclosed.

For more detailed disclosures regarding staff costs, see the staff report on page 33.

Official Veterinarian Costs

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 2019 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.

Notional Charges

The Agency does not directly meet the costs of certain services, shown in the table below, that are provided centrally by Defra. Annual notional non-cash charges for these services are instead issued to each Defra group body for inclusion in their statutory accounts to ensure a true and fair view of costs is represented, with a matching credit recorded in the general fund.

The Defra overhead notional recharge comprises of:

	2018/19	2017/18
	£'000	£'000
Human resources services and staff costs	916	1,015
Information technology services, staff and project costs	22,886	12,932
Knowledge and information management costs	342	401
Shared services including payroll and financial	1,642	2,492
Legal services costs	583	154
Commercial costs	903	369
Communications costs	785	790
Finance service costs	1,979	1,850
Defra investigation services costs	96	93
Estates costs	30,162	30,757
NAO external audit fee	150	170
Total	60,444	51,023

Within the estates costs, 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 £3,804k (2017/18: £4,145k). The commitments are consistent with arrangements containing a lease as defined by IFRIC 4, Determining Whether an Arrangement Contains a Lease.

The external audit fee is the Comptroller and Auditor General fee of £150k for the audit of the 2018/19 financial statements (2017/18: £170k). No remuneration was paid to the auditors for non-audit work.

4. Income

4.1.1 Revenue from Contracts with Customers 2018/19

Analysis by customer	Service delivery directorates	Scientific services directorates	Total
	£'000	£'000	£'000
Defra & Defra Agencies	903	5,385	6,288
Devolved Administrations	30,068	3,119	33,187
Other Government Departments	34	1,358	1,392
Other non commercial	10,723	732	11,455
Fees and charges	9,878	332	10,210
UK commercial & external	78	5,606	5,684
EU	-	1,688	1,688
Overseas commercial	4	2,065	2,069
Total	51,688	20,285	71,973

4.1.2 Revenue from Contracts with Customers 2017/18

Analysis by customer	Service delivery directorates	Scientific services directorates	Total
	£'000	£'000	£'000
Defra & Defra Agencies	817	6,574	7,391
Devolved Administrations	29,183	2,974	32,157
Other Government Departments	18	1,799	1,817
Other non commercial	12,998	975	13,973
Fees and charges	9,982	443	10,425
UK commercial & external	5	5,782	5,787
EU	-	1,192	1,192
Overseas commercial	16	2,037	2,053
Total	53,019	21,776	74,795

4.2 Other Operating Income

Analysis by customer	2018/19	2017/18
	£'000	£'000
Grant income - apprenticeship levy	90	27
Total	90	27

The 2017/18 income has been represented to include the apprenticeship levy grant income not previously disclosed.

Impact of IFRS 15

Each contract with a customer has been reviewed in line with the five step model, detailed in 1.4.

The impact on adopting IFRS 15 is immaterial for APHA because the point at which control of performance obligations is transferred to customers under IFRS 15 matches the point at which risks and rewards were transferred under IAS 18.

APHA's major income streams, and an assessment of the related performance obligations, are detailed below:

Devolved Administrations

APHA has an annual contract with an agreed budget with both the Welsh and Scottish Governments. The monthly report which details activities undertaken is agreed with both of these and an invoice is raised in arrears. This means that the performance obligation is satisfied over time.

Other Non Commercial

Other non-commercial income is mainly comprised of reactor removal framework income. This is where a third party agent provides haulage and slaughter services including the sale of carcasses on APHA's behalf. Income is accounted for in the month the carcass sale occurs.

Fees and Charges

For services, licences and fees levied by public bodies, control over the service and benefit of that service is gained at the point the licence is granted or services performed.

Project Income

Project income is recognised over time as APHA's work creates or enhances an asset controlled by the customer or the customer simultaneously receives and consumes the benefits provided by APHA.

APHA receives funding from Defra to cover its operating requirements by cash transfers which pass through the Statement of Changes in Taxpayers' Equity rather than being accounted for as income through the Statement of Comprehensive Net Expenditure. Accounting policy note 1.4 explains the rationale for the accounting treatment of this funding.

Transactions which are denominated in a foreign currency are translated into sterling at the Bank of England spot rate. The spot exchange rate is the exchange rate at the date of the transaction. Any gains or losses on exchange are taken to the Statement of Comprehensive Net Expenditure in the year in which they are incurred. Foreign exchange is not material for the Agency so has not been disclosed separately in the accounts.

5. Property, Plant and Equipment

2018/19	Land	Buildings	Scientific Equipment	Office Equipment and Furniture	Plant and Motor Vehicles	IT Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
1 April 2018	25,726	285,455	25,170	4,342	4,408	1,453	346,554
Additions	-	-	666	-	85	-	751
Disposals	-	(436)	(18,510)	(4,164)	(1,139)	(1,453)	(25,702)
Impairment	57	(15,415)	-	-	-	-	(15,358)
Revaluation	91	12,067	116	(20)	58	-	12,312
31 March 2019	25,874	281,671	7,442	158	3,412		318,557
Depreciation							
1 April 2018	-	(26,304)	(21,730)	(4,260)	(3,209)	(1,453)	(56,956)
Charged	-	(11,339)	(1,225)	(82)	(532)	-	(13,178)
Disposals	-	436	18,508	4,164	1,139	1,453	25,700
Impairment	-	-	-	-	-	-	-
Revaluation	-	-	(84)	20	(40)	-	(104)
31 March 2019		(37,207)	(4,531)	(158)	(2,642)		(44,538)
Net Book Value							
31 March 2018	25,726	259,151	3,440	82	1,199	-	289,598
31 March 2019	25,874	244,464	2,911		770		274,019

Land & Buildings

Montagu Evans undertook a desktop valuation of land and buildings during the year ended 31 March 2019. This resulted in a net decrease in the value of land and buildings from 2017/18 of £14,539k which included £12,158k credited to the Revaluation Reserve and £15,358k debited to the SoCNE with the balance relating to disposals (nil NBV) and depreciation charged (£11,339k).

This revaluation was carried out using the depreciated replacement cost method, taking into account both current and expected future economic conditions. This review also considers the remaining economic life of the buildings. The resulting net impairment of £15,358k comprises £2,783k of impairment reversals and £18,141k of downward revaluations, including one building which was impaired by £15,843k following a reduction in its economic life from 43 years to 3 years because of impaired drainage; and another building which was impaired by £1,283k following a reduction in its economic life from 9 years to 1 year because it is no longer in use.

During the year, a number of fully written down assets were removed from the fixed asset register and all assets with a cost less than £10k were removed as they are now below the capitalisation threshold for the Agency. The combined net book value of these was £513k.

Following the desktop revaluation buildings were cleared down due to duplication on the fixed asset register. The combined net book value of these was £359k.

All of APHA's assets are owned and none are held under finance leases.

There are no assets under construction in the year 2018/19 (2017/18: nil).

2017/18	Land	Buildings	Scientific Equipment	Office Equipment and Furniture	Plant and Motor Vehicles	IT Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2017	24,298	263,254	25,194	4,387	3,796	1,734	322,663
Reclassification	-	(3,758)	71	-	(65)	-	(3,752)
Additions	-	-	989	-	281	-	1,270
Transfers	162	8,246	-	-	433	-	8,841
Disposals	-	(15)	(1,349)	(36)	(52)	(303)	(1,755)
Impairment	668	(218)	-	-	-	-	450
Revaluation	598	17,946	265	(9)	15	22	18,837
At 31 March 2018	25,726	285,455	25,170	4,342	4,408	1,453	346,554
Depreciation							
At 1 April 2017	-	(20,013)	(21,863)	(4,149)	(2,859)	(1,732)	(50,616)
Reclassification	-	3,758	(38)	-	32	-	3,752
Charged	-	(10,051)	(872)	(151)	(344)	(2)	(11,420)
Transfers	-	-	-	-	(81)	-	(81)
Disposals	-	2	1,323	32	52	303	1,712
Impairment	-	-	-	-	-	-	-
Revaluation	-	-	(280)	8	(9)	(22)	(303)
At 31 March 2018	-	(26,304)	(21,730)	(4,260)	(3,209)	(1,453)	(56,956)
Net Book Value							
At 31 March 2017	24,298	243,241	3,331	238	937	2	272,047
At 31 March 2018	25,726	259,151	3,440	82	1,199	-	289,598

6. Intangible Assets

2018/19	Software Licences	IT Software	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2018	4,384	117,805	561	122,750
Additions	-	-	750	750
Transfers	-	-	-	-
Disposals	(4,241)	(33,066)	-	(37,307)
Impairment	-	-	-	-
Revaluation	1	634	-	635
At 31 March 2019	144	85,373	1,311	86,828
Amortisation				
At 1 April 2018	(4,342)	(105,383)	-	(109,725)
Charged	(21)	(1,544)	-	(1,565)
Transfers	-	-	-	-
Disposals	4,241	33,066	-	37,307
Impairment	-	-	-	-
Revaluation	(1)	(562)	-	(563)
At 31 March 2019	(123)	(74,423)		(74,546)
Net Book Value				
31 March 2018	42	12,422	561	13,025
31 March 2019	21	10,950	1,311	12,282

There is one material individual intangible asset: the Business Reform Programme (BRP) is the system that, amongst other things, enables veterinarians to receive and submit TB results and share other work across locations. BRP has a net book value of £10,950k. The BRP asset is part of a group of interdependent assets whose useful economic lives are 7 years as at 31.03.2019. On 1 April 2018 the BRP asset was relined in line with the rest of the assets.

2017/18	Software Licences	IT Software	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2017	4,405	136,672	7	141,084
Additions	-	-	561	561
Transfers	2	(2)	-	-
Disposals	(73)	(21,250)	(7)	(21,330)
Impairment	-	-	-	-
Revaluation	50	2,385	-	2,435
At 31 March 2018	4,384	117,805	561	122,750
Amortisation				
At 1 April 2017	(4,342)	(111,252)	-	(115,594)
Charged	(22)	(13,406)	-	(13,428)
Transfers	(2)	2	-	-
Disposals	73	21,250	-	21,323
Impairment	-	-	-	-
Revaluation	(49)	(1,977)	-	(2,026)
At 31 March 2018	(4,342)	(105,383)		(109,725)
Net Book Value				
At 31 March 2017	63	25,420	7	25,490
At 31 March 2018	42	12,422	561	13,025

7. 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.

8. Trade Receivables and Other Current Assets

	31 March 2019	31 March 2018
	£'000	£'000
Trade receivables	6,366	10,449
Other receivables	35	136
Trade and Other Receivables	6,401	10,585
Deposits and advances	53	17
Prepayments and accrued income	11,271	8,323
Other Current Assets	11,324	8,340
Total	17,725	18,925

Due to the implementation of IFRS 9 from 1 April 2018 the opening balance of the credit loss provision (included in trade receivables) has been reestimated resulting in a £160k adjustment to reserves. Further details are available in note 1.13.

9. Cash and Cash Equivalents

	31 March 2019	31 March 2018
Government Banking Services	£'000	£'000
Opening balance	16,727	14,178
Net cash inflow/(outflow)	(14,475)	2,549
Closing balance	2,252	16,727

The Government Banking Service has procured banking services from the Royal Bank of Scotland Group and Barclays. 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.

10. Trade Payables and Other Current Liabilities

	31 March 2019	31 March 2018
	£'000	£'000
Trade and Other Payables		
Trade payables	(1,530)	(1,931)
Other payables	(109)	(130)
Payroll payables	(3,352)	(3,010)
Contract liabilities	(2,179)	-
	(7,170)	(5,071)
Other Liabilities		
Accrued expenditure and deferred income	(11,559)	(20,076)
VAT payables	(1,747)	(701)
	(13,306)	(20,777)
Provisions		
Other	(150)	(576)
	(150)	(576)
Total	(20,626)	(26,424)

As per HM Treasury guidance for IFRS 15, the accounting policy choice to retrospectively restate in accordance with IAS 8 has been withdrawn. As a consequence, contract liabilities of £2,935k are held in deferred income for 2017/18.

11. Commitments under Operating Leases

	31 March 2019	31 March 2018
	£'000	£'000
Land		
Not later than one year	6	1
Later than one year and not later than five years	5	4
Later than five years	29	30
Total	40	35
	£'000	£'000
Buildings		
Not later than one year	1,120	1,387
Later than one year and not later than five years	1,787	2,424
Later than five years	474	718
Total	3,381	4,529

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.

12. Commitments under Private Finance Initiative (PFI) Contracts

	31 March 2019	31 March 2018
	£'000	£'000
Not later than one year	154	88
Later than one year and not later than five years	482	361
Later than five years	-	-
Total	636	449

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 Eastbrook, Cambridge for Defra, occupied in 2003, subject to a 30 year lease to 28 March 2033. Break points in the lease exist at the 15, 20 and 25 year points (with the first break point at 28 March 2018). After serving the part break notice, Defra retained 29 percent of the building with effect from 28 March 2018. The reduced space is shared between Government Departments and in 2018/19 APHA occupied 4.9 percent (2017/18: 1.5 percent) of the reduced space.

13. Capital Commitments

At 31 March 2019 the Agency had no capital commitments not otherwise included in these accounts. For 2017/18, the Agency had £42k of equipment for the Weybridge site as a capital commitment as at 31 March 2018.

14. Other Financial Commitments

	31 March 2019	31 March 2018
	£'000	£'000
Not later than one year	15,454	15,081
Later than one year and not later than five years	61,817	60,325
Later than five years	85	15,164
Total	77,356	90,570

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.

15. Contingent Liabilities

There were no contingent liabilities as at 31 March 2019 (31 March 2018: None).

16. 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 2019, 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, (Rural Payments Agency

and 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. There are no interests that may conflict.

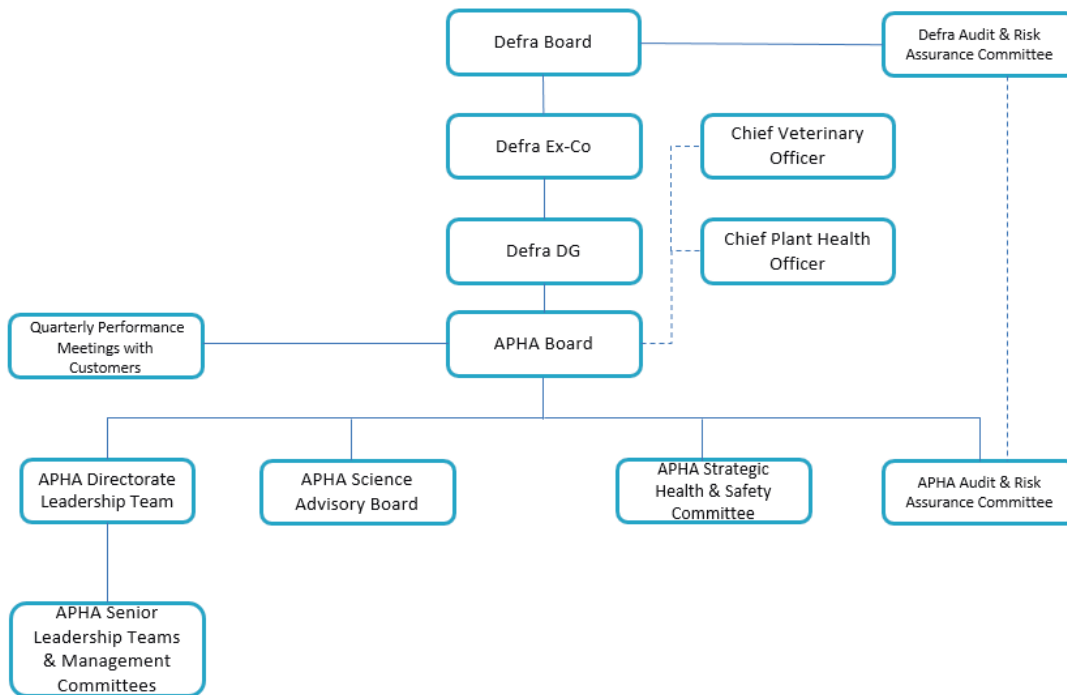
17. Events after the Reporting Period

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 the Accounting Officer 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.

Annexes

These annexes do not form part of the financial statements and have not been subject to audit.

Annex A – APHA Governance Model



ANNEX B – APHA Key Performance Indicators (KPIs)

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, Livestock and Bees)	Met
Animal Welfare	APHA will complete 100% of cross compliance inspections in order to enable the GB paying agencies meet the Basic Payment Scheme deadlines	Met
	APHA will visit 95% of high priority welfare reports within one calendar day of notification	Substantially Met
Surveillance	APHA will complete 98.4% of required sampling/visits as part of National Surveillance Programmes (This is a composite KPI and consists of surveillance across Animals and Plants)	Met
Endemic Disease - Tuberculosis	Low Risk Area - Proportion of live herds under restriction as a result of a OTF-W bTB breakdown	Met
	Edge Area - Proportion of live herds under restriction as a result of a OTF-W bTB breakdown	Not Met
	High Risk Area - Proportion of live herds under restriction as a result of a OTF-W bTB breakdown	Met
	All eligible persistent breakdowns to have an action plan in place within 3 months of identified need	Substantially Met
	During the financial year 2018/19 to have no more than 256 overdue herds in Scotland	Met
	Complete agreed target level of OV audits	Met
	To support revalidation APHA will undertake an audit of low volume OVs where the OV gives 7 working days lead time on the test date	Met
	APHA will undertake audits of high volume testers, high risk test types or audits based on intelligence received	Met
Science	APHA will undertake scheduled practice audits on 25% of practices who have a QMS system in place	Met
	To provide access to the scanning surveillance network for an average of 65% of livestock holdings in England & Wales by 31 March 2019	Met
	APHA will meet 95% of agreed milestones within the agreed timeframe	Met
	APHA will meet 95% surveillance deliverables within the agreed timeframe	Met
Surveillance & MI Reports	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
Disease Risk Reduction	APHA will provide 90% of stated quarterly reports within the agreed timeframes	Met
	Animal By-Products - Complete routine inspections required under a risk based approach	Met in Part
	Deliver 100% of national and significant regional agricultural show approvals	Met
Exotic Disease	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	Met
	Veterinary Inspector dispatched to immediate level exotic disease within 30 minutes of the decision being made	Not Met
Protecting the Food Chain	For all report cases assessed by VENDU, deliver a good or excellent service	Substantially Met
	Poultry Meat Marketing - Complete inspections for registered sites that are in production	Met
	Egg Marketing Inspections 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

Key:	
Met	100% or more of target
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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