



animalhealth

ANNUAL REPORT AND ACCOUNTS 2008-09

About Us

Animal Health is an executive agency of the Department for Environment, Food and Rural Affairs (Defra). We operate across Great Britain on behalf of Defra, the Scottish Government, the Welsh Assembly Government and the Food Standards Agency.

We employed an average of 1,565¹ people in 2008-09 and work with a network of Official Veterinarians all over Great Britain to support the implementation of the Animal Health and Welfare Strategy and manage down the risks and impacts of animal diseases.

COVER PICTURE: Scottish Highland cow © Louise Murray/Science Photo Library

¹ c. 1,565 Full Time Equivalent staff during 2008-09



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We have continued to play an important role in maintaining a sustainable food and farming industry.



1 Chief Executive's statement

Animal Health was formed in 2005 and renamed in April 2007 after joining together four existing bodies, all working to support the delivery of animal health and welfare and conservation policy

Since then, we have been working hard to understand the needs of our stakeholders around Great Britain and to make sure we meet those needs, both in managing the various outbreaks of exotic disease that have occurred since then, and across our wide range of ongoing activities.

During 2008-09, we have continued to play an important role in maintaining a sustainable food and farming industry, in protecting public health and in conserving endangered wildlife. In Wales for example, we have successfully contributed to the Welsh Assembly Government's *One Wales* programme



Wild Welsh ponies graze the open grassland of the Brecon Beacons

to eradicate bovine tuberculosis (bTB) and are well on the way to completing the target of testing every herd of cows in Wales within one year. In Scotland, as part of Scotland's Environmental and Rural Services (SEARS) initiative, we have led work to come up with a single bio-security protocol for all the Scottish Government's rural delivery agencies to make sure that together we support a healthier, wealthier Scottish agricultural industry. In England, working closely in partnership with farmers, policy colleagues and industry, we have also contributed to the virtual eradication of scrapie in sheep.

During the year, we have played a key part in delivering the Animal Health and Welfare Strategy for Great Britain. The year saw four separate incidents of exotic animal disease and the continued geographical spread of bTB across the country. With the assistance of our delivery partners, we have continued to control and, where possible, eradicate these. In addition to responding to these external developments, we have seen the successful implementation of the first operational module of the Business Reform Programme (BRP), which will, in time, change the way we deliver our services.

Every year, we focus on delivering high quality services all over Great Britain across the areas of farmed animal health and welfare, exotic and endemic disease control, wildlife conservation and protecting the human food chain. This year, we have also carried out a review of our strategy, designed to ensure that we continue to improve our record of success in supporting our policy and end-user customers with whom we work in improving animal health and welfare.

Our new strategy emphasises the importance of working in collaboration with other people and organisations who work in areas connected to what we do. We recognise that only by listening to and really understanding the perspectives of farmers and other end-users we work with, as well as to our policy customers around Great Britain, will we be able to maximise the impact we have in driving down animal health and welfare-related risks.

As a consequence of the new strategy, we have begun the process of restructuring our agency. From 1 April 2009, we have introduced directors for each of our English, Scottish and Welsh policy customers; senior managers who will be customer-focused, enabling our operations in the field to be more reflective of differing needs and priorities across the constituent parts of Great Britain. Simultaneously, our organisational structure in England has been significantly revised, replacing our traditional divisional structure with one which aligns with Government Office regions to support better collaborative working. We are pleased that the feedback from industry representatives and others with whom we work has been positive about the changes we have introduced. In the next year we will be working to make sure we deliver the planned benefits.

Our efforts to create a more customer-focused agency have also, for example, seen the launch of specialist service centres aimed at improving the consistency and customer experience of service delivery. In addition, we have begun the implementation of the BRP, with the introduction of a customer contact database, which will improve the accuracy of our customer knowledge, enabling us to respond more effectively to future disease outbreaks.

None of what we achieved last year would have been possible without the energetic support we have

received from many of the people and organisations with which we have worked. I would like to thank colleagues in Defra, the Scottish Government, Welsh Assembly Government and Food Standards Agency for all their assistance and support. I would like to thank our many operational partners, particularly Official Veterinarians and local authorities and, in doing so, recognise the critical role they play in improving animal health and welfare. I would like to thank the many industry stakeholders and representatives who have given their time to support and challenge us and help us improve the way we deliver our business.

I would like to thank particularly all my colleagues within Animal Health who have carried on through thick and thin – continuing to display the professionalism and dedicated approach that characterises them and enables us to make the difference that we do.

Actions speak louder than words and I hope that through our actions this year we have demonstrated a desire to listen to, and work collaboratively with, those with an interest in the services we provide. Thank you for looking at our Annual Report and Accounts – and if it raises any questions or suggestions in your mind, we would be pleased to hear from you.



Catherine Brown, Chief Executive, 19 May 2009





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Working with others to drive down animal health and welfare-related risks.



2 What we do

We play a key part in delivering the Animal Health and Welfare Strategy for Great Britain.

We work to prevent, control and eradicate exotic and endemic notifiable diseases, minimise the economic impact of animal disease, ensure high standards of welfare in farmed animals and guarantee the safety of the food chain.

We focus on working with others to drive down animal health and welfare-related risks. We do

this in a range of different ways: responding to suspected cases of exotic notifiable disease; providing advice and guidance to end-user customers; monitoring the occurrence and incidence of different diseases; checking compliance with legislative requirements; issuing approvals and licences, and supporting enforcement action where appropriate to ensure compliance.



Remote hill farm in
Assynt in the Western
Scottish Highlands

Our day-to-day activity covers a wide range of tasks for diverse customer groups. These include:

- carrying out surveillance and control work to detect the presence of endemic notifiable diseases such as bTB and salmonella
- detecting cases of endemic disease, managing the outcome and where necessary taking action to remove the infection
- checking the disease status of imported livestock
- certifying that animals for export have passed all necessary checks
- checking compliance with animal by-product legislation to help minimise the risk of potentially dangerous substances entering the animal and human food chains
- conducting an annual risk-based programme of welfare inspections under the EU Cross Compliance regime. As the Competent Control Authority in this area, we undertake these on behalf of the paying agencies in the Scottish Government, the Welsh Assembly Government and the Rural Payments Agency
- responding to reports of livestock welfare problems

- protecting the welfare of animals during transport
- dealing with incidents of other notifiable diseases such as scrapie and bovine spongiform encephalopathy (BSE)
- registering and licensing the imports of endangered wildlife and products in relation to the Convention on International Trade in Endangered Species (CITES)
- inspecting the facilities and processes used in dairy and egg production to ensure the safety of the human food chain
- overseeing the Pet Travel Scheme (PETS) which allows pet dogs, cats and ferrets from certain countries to enter the UK without quarantine as long as they meet the requirements of the scheme.

We constantly work to prevent outbreaks of exotic disease, which are diseases not usually present in livestock in Great Britain, such as foot and mouth disease, avian influenza, classical swine fever and rabies.

We are responsible for making sure that should such an outbreak occur we are ready to respond effectively. One of our top priorities is working with our policy colleagues, operational partners and industry to ensure that together we deal with any outbreak of notifiable exotic disease that might occur.

Our contingency plans have been developed with policy colleagues and key delivery partners and are regularly tested to ensure they are consistent and effective. A key element of the plans is the establishment of National and Local Disease Control Centres to ensure a co-ordinated response across Great Britain.

Investigating reported cases of possible exotic disease forms a significant part of our routine activity – most are negative but we put our comprehensive contingency plans into action when they are confirmed positive.

Co-ordinated support is essential from delivery partners such as local authorities, the police, the Health Protection Agency, the Veterinary Laboratories Agency and the Environment Agency, as well as representatives from industry and private

veterinary practices. This ensures effective management of outbreaks.

Changes to the world in which we work

We continue to believe that a single body can respond more effectively to outbreaks of exotic disease and become expert in delivering animal health and welfare policy more cost effectively than three distinct organisations could within Great Britain. A key strategic goal is for the agency to be responsive to the different needs and priorities of policy customers so that the delivery in a responsive, value-for-money and focused way is recognised by them.

We aim to reduce animal health and welfare-related risks and one of the main ways in which we do so is through influencing the behaviour of end-user customers. This means that changes to both the pattern of animal health-related risks, for example through changes in international disease incidence and changes to the structure of our end-user customers' activities, affect how we work.

There are also some environmental factors which affect us directly as a government-funded regulator and to which we also need to respond in order to deliver our objectives effectively. Financial pressures increase the need for us to focus on the efficiency and value for money of all our activities. Recognition of the impacts the economic situation can have on our end-user customers makes us keener than ever to reduce the regulatory burden that we impose, while continuing to manage down the risks associated with non-compliance.

Devolution

Policy-making responsibility for animal health and welfare has been devolved to the Welsh Assembly Government and Scottish Government, with Defra retaining the role in England. This has given rise to a situation where we now work for three major national policy customers and increasingly different economic and political considerations are driving policy thinking in the three jurisdictions.

At present, budgets are not devolved with policy but the three administrations are now exploring the devolution of animal health budgets relating to the relevant policy areas.

Table 1 Exotic notifiable animal disease in Great Britain

Notifiable exotic disease	Species affected	Last occurred in Great Britain
African horse sickness	Horses	Never
African swine fever	Pigs	Never
Aujeszky's disease	Pigs and other mammals	1989
Avian influenza (bird flu)	Poultry	2008
Bluetongue	All ruminants and camelids	2008
Brucellosis (<i>Brucella abortus</i>)	Cattle	2004
Brucellosis (<i>Brucella melitensis</i>)	Sheep and goats	1956
Classical swine fever	Pigs	2000
Contagious agalactia	Sheep and goats	Never
Contagious bovine pleuro-pneumonia	Cattle	1898
Contagious epididymitis (<i>Brucella ovis</i>)	Sheep and goats	Never
Contagious equine metritis	Horses	2008
Dourine	Horses	Never
Enzootic bovine leukosis	Cattle	1996
Epizootic haemorrhagic virus disease	Deer	Never
Epizootic lymphangitis	Horses	1906
Equine viral arteritis	Horses	2004
Equine viral encephalomyelitis	Horses	Never
Equine infectious anaemia	Horses	1976
Foot and mouth disease	Cattle, sheep, pigs and other cloven-hooved animals	2007
Glanders and farcy	Horses	1928
Goat pox	Goats	Never
Lumpy skin disease	Cattle	Never
Newcastle disease	Poultry	2006
Pest des petits ruminants	Sheep and goats	Never
Rabies	Dogs and other mammals	2008
Rift Valley fever	Cattle, sheep and goats	Never
Rinderpest (cattle plague)	Cattle	1877
Sheep pox	Sheep	1866
Swine vesicular disease	Pigs	1982
Teschen disease (<i>Porcine enterovirus encephalomyelitis</i>)	Pigs	Never
Vesicular stomatitis	Cattle, pigs and horses	Never
Warble fly	Cattle (also deer and horses)	1990
West Nile virus	Horses	Never

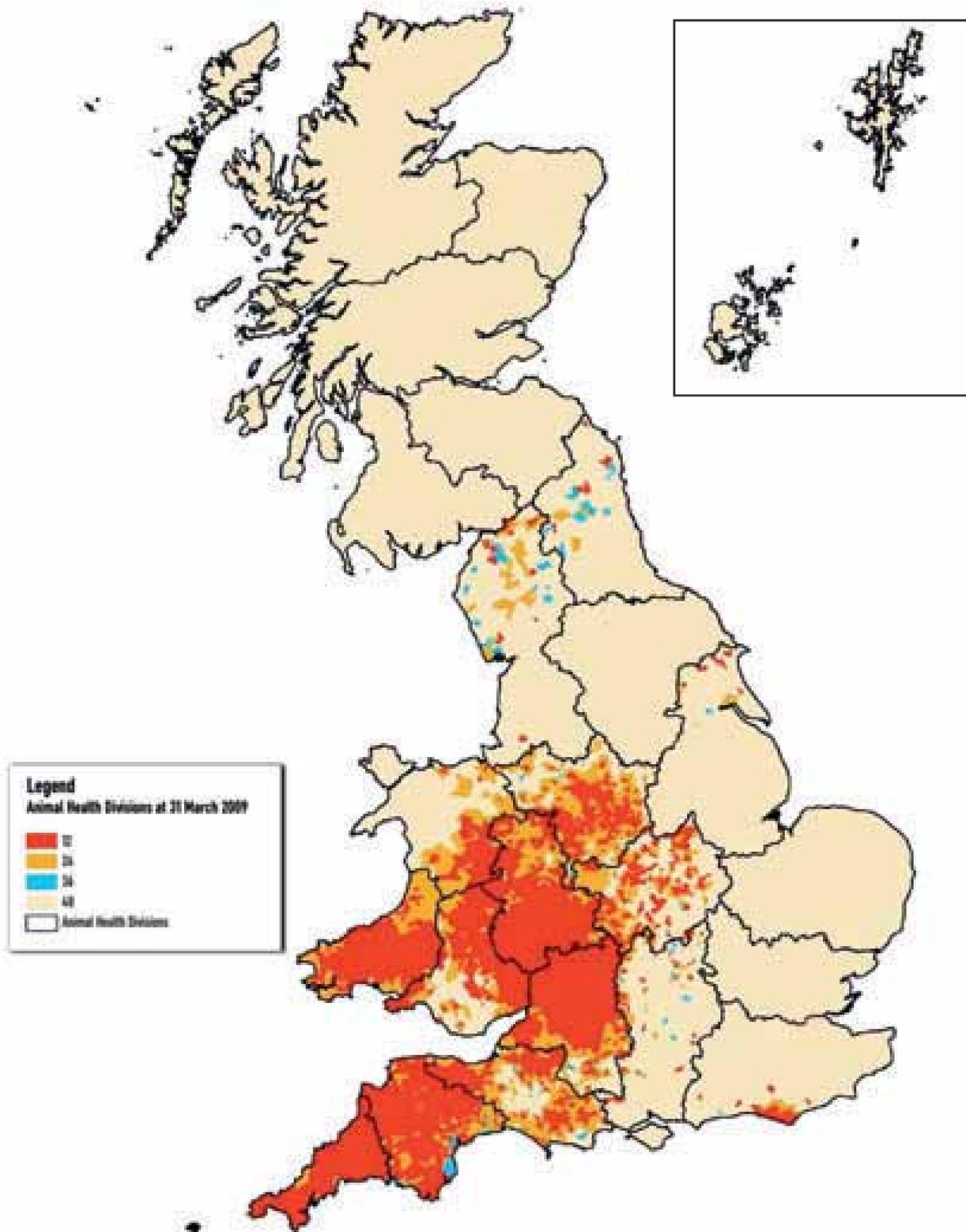
Table 2 Confirmed cases of exotic animal disease 2008-09

Exotic disease	Month	No. of confirmed cases
Avian influenza (H7N7)	June 2008	1
Bat rabies	May 2008	1
Rabies	April 2008	1
Bluetongue	Apr-Mar 2008	19

Table 3 Endemic notifiable animal diseases

Notifiable endemic disease	Species affected
Anthrax	Cattle and other mammals
Bovine spongiform encephalopathy	Cattle
Paramyxovirus of pigeons	Pigeons
Scrapie	Sheep and goats
Tuberculosis	Cattle and deer

Figure 1 The geographic spread of bTB: as shown by the frequency of testing in parishes (months)



HIGH PRIORITY: FINDING AND FIGHTING bTB

Control, with the ultimate aim of eradication, of endemic animal disease remains our single biggest day-to-day challenge. An endemic disease is one that is normally present in Great Britain and we play the leading role in delivering government policy in the field.

Such disease can pose serious economic and public-health threats. bTB remains perhaps the greatest economically, while transmissible spongiform encephalopathy (TSE) remains a serious, yet happily diminishing, public health risk.

bTB consumes approximately 39% of our resources. It is a serious, although regionalised, disease and our work has done much to help keep large parts of Great Britain free from significant incursions. In areas of high bTB incidence (see *Figure 1*), the disease has a major impact on the welfare of animals, and on livestock keepers, both those affected by cases and those seeking to keep herds free from infection.

Our role, often working through and in partnership with private practice veterinarians, is to identify and control bTB through a comprehensive testing programme, controls on animal movements, tracing of contacts with diseased animals and culling infected and suspected animals.

During 2008-09, some 6.6m bovines were tested and 41436 culled (up from 5.9m and 30,000 respectively in 2007-08, and 5.6m and 23,000 in 2006-07), a significant increase in the volume of work performed.

As of March 2009, 92.8% of herds were unaffected by bTB; however the remaining 7.2% were either infected or subject to restrictions for other reasons.

There are 84,772 bovine herds in Great Britain. Of these, 2,444 herds were under bTB restrictions because of zero tolerance for overdue tests and a further 3,657 were under restriction for other reasons.



In areas of high bTB incidence, the disease has a major impact



Animal Health's expertise, management of contractors and service suppliers, and the sound practical advice you have given on scheme design and delivery have been invaluable... field staff have done an immense amount of work.



HILARY BENN,
SECRETARY OF STATE, DEFRA
Commenting on the Ram
Genotyping Scheme (RGS)



3 A new strategy

Given the changing environment in which we operate, throughout 2008-09 we have worked with policy customers, industry and others to identify a new strategy to underpin the development of the agency.

This will ensure that we make the biggest contribution possible to reducing animal health and welfare-related risks across Great Britain.

We have refined our strategy into four complementary themes:

- to be the recognised experts in the delivery of animal health and welfare policy, influencing our customers through the provision of expert advice and helping them to form policy, and agree implementation approaches that maximise their impact in achieving their desired outcomes



Red Devon cattle grazing in the lee of the Cotswold Hills, near Stanway, Gloucestershire

- to continue to be the provider of choice to our policy customers in Scotland and Wales, as well as England, because we believe that we can deliver a better service to all three governments through a Great Britain body – large enough to sustain expertise across all the diverse fields in which we work and to give flexibility in tackling outbreaks of exotic disease wherever they may occur in Great Britain
- To build on our relationships with our end-user customers – really understanding their agendas and what drives their behaviours and effectively influencing them to reduce their animal health and welfare-related risk
- to work collaboratively with others in the areas in which we work – making sure that together we make the biggest difference possible to animal health and welfare-related disease risks.

This section sets out in summary some of what we have achieved within each of these themes during the report year. Our plans for the future can be found in our Corporate and Business Plan, a summary of which is presented in part seven of this report.

Recognised experts in delivery

We seek to be recognised as expert in delivery. To be so requires that we are efficient, consistent, knowledgeable, resilient and innovative and that what we do is based on the sound application of risk management principles.

SYSTEMS AND PROCESSES

The Business Reform Programme (BRP) is an IT-enabled change programme designed to make us more efficient, consistent and resilient. During 2008-09, the first key BRP deliverable, an improved customer registration and contact management capability, has been introduced into service. This is important because knowing our customers is vital to serving them effectively, particularly in the event of a serious disease outbreak.

Following on from this, a document management module is being piloted during 2009, providing us with an improved system and process for managing documents and forms electronically. Further capability, such as processes for managing diseases, with an initial focus on bTB, is currently being developed and tested.

As part of our work towards the introduction of a new quality assurance framework, much progress has been made on updating our operational instructions. All one-and-a-half million words of our Operations Manual are being tested and re-written to ensure that instructions are clear and easy to follow. This will provide our customers with the benefit of a consistent level of service across Great Britain.

In order to strengthen our ability to respond effectively to an outbreak of exotic disease, an annually-revised Contingency Plan for Exotic Animal Diseases was laid before Parliament in December. As well as incorporating lessons learnt from recent outbreaks of foot and mouth disease, bluetongue and avian influenza, the plan reflects the latest scientific advice, developments in policy and incorporates inputs from operational partners and stakeholders.

Our response capability is also strengthened by the BRP, the customer registration capabilities of which provide us with a much better picture of livestock across the country. During the year, we have also explored the capability offered by a mobile Forward Operating Base (*see page 18*) which will enable us to operate from premises closer to infected farms. In addition, a series of exercises has been undertaken to test and strengthen our response capabilities for dealing with a variety of diseases, including classical swine fever, rabies, foot and mouth disease and avian influenza.

In line with Cabinet Office requirements, we have introduced a programme to ensure the safety of our data and systems. During 2008-09, we suffered two breaches of our IT security. A physical breach occurred in December 2008, when a burglary resulted in six laptops being stolen. This was reported and dealt with using the existing policies.

Additionally, a system virus was identified in December 2008, which was managed by IBM to establish source and remedy. No personal data was

IMPROVING OUR KNOWLEDGE OF CUSTOMERS

During 2008-09, the agency implemented the first release of a new operational IT system to all our offices in England, Scotland and Wales. This first release introduced a new customer contact and registration system which has provided us with the ability to hold more up-to-date information on our customers. In addition, as this is based on new technology, this critical customer information is easily accessible across all our offices while still meeting strict data security standards.

"Through this implementation we have been able to begin the process of improving the quality of the information we hold on our customers," said Jackie Knight, BRP Stakeholder and Communications Manager. "This information, and the improved accessibility across Animal Health, will assist us in managing disease outbreaks and all our interactions with the farming community. It also enhances our ability to share information, where appropriate, with other parts of government."

Following the successful implementation of the first release, BRP continued to pilot document and records management in March 2009. We are now able to hold our operational documents electronically so that customer documents can be viewed by more than one person at a time and in different locations, something that was never possible with paper files. This is an important milestone on the road to improving our ability to deliver our services more effectively and efficiently to our customers. In time, it will significantly improve our response to, and the cost of, disease outbreaks.

"There is still more to do to improve our operational systems and the BRP has already begun work on the next release. This will address how we manage the work in our major area of activity bTB. This will be another major step in improving the delivery capability of our agency," said Jackie.



The UK has a proud record of CITES enforcement at its border and in its domestic markets.

Previously, customs and the police have taken the lead. I welcome the work that WLRS inspectors have conducted in 2008 to ensure trade in caviar conforms with CITES requirements. I believe WLRS has an important role to play in combating illegal trade in wildlife.



WILLEM WIJNSTEKERS,
CITES SECRETARY GENERAL

Customer documents can now be viewed by more than one person... and in different locations

ON THE FRONTLINE: TAKING THE FIGHT TO DISEASE

An outbreak of avian influenza in June again tested Animal Health's ability to respond effectively to a serious notifiable exotic disease. The outbreak on a poultry farm in Oxfordshire was the most serious case of exotic disease during the report year.

A Local Disease Control Centre (LDCC) was immediately set up at the Animal Health office in Reading to manage the activities necessary to control the disease. Poultry on the infected premises were quickly culled and the farm subjected to cleansing and disinfection. Work began to trace movements on and off the farm, to undertake surveillance to identify any further spread of disease and to begin epidemiological investigations to identify the source of the infection.

"Although the size of the outbreak was small in terms of the number of premises and birds infected, what differed about this outbreak was the way in which it was managed," said Animal Health's Reading-based Readiness and Resilience Manager Ann Morrice.

"The distance between the LDCC and the infected premises was an issue. The farm was at the outer limits of our divisional boundary and the distance staff had to travel between the farm and the LDCC threatened to slow down our operations in the field. It also meant that a number of local authorities as well as other operational partners were involved.

"To improve our ability to deploy staff quickly a forward operating base was set up at the Veterinary Laboratories Agency (VLA) site in Luddington, much nearer the infected farm. Using the Luddington site ensured field staff and the required support facilities were situated closer to the farm and were within the restricted movement zone, helping with surveillance and work necessary to enforce animal movement restrictions. Having VLA staff on site also ensured that clinical samples were processed quickly and the sample submissions were debriefed in an expert fashion."

The lessons learned during this outbreak were taken forward with the trial of a mobile Forward Operating Base (FOB) in February. As part of an exercise run in partnership with the Welsh Assembly Government, three portable buildings were deployed to a site in the Rhydymwyn Valley. North West-based Readiness and Resilience Manager Carmel Lynskey said: "The set-up of the portable buildings allowed us to explore our requirements and document what we thought we would need from a FOB in a future outbreak."

A second, larger-scale exercise took place in Merthyr Tydfil, where 10 portable buildings were installed on a brownfield site, with a partial LDCC set up at the Cardiff Animal Health office to test responsiveness to a foot and mouth disease scenario. As well as staff from Animal Health, observers from the Welsh Assembly Government, South Wales Police and Merthyr Tydfil Trading Standards department also attended, demonstrating the multi-agency approach required to manage a serious disease outbreak.

H5N1 virus was the subject of the first FOB test in 2008

lost or corrupted in either incident. The implementation of the BRP has led to a more active recognition of the issues of data security and this is being addressed within the programme itself.

ORGANISATIONAL STRUCTURE

We have begun to implement our Target Operational Model (TOM) project, which will change our organisational structure to align with partner organisations. In doing so, we seek to improve our collaborative working relationships and thereby enhance our delivery. In England, we have reorganised from 15 divisions to eight regions, which will align with the areas covered by Government Offices. The management structure will also become more consistent between day-to-day operations and outbreak emergencies, with a single Regional Operations Director (ROD) supported by a Regional Veterinary Lead being responsible for regional delivery.

This will mean that in an outbreak our RODs will have the local knowledge and established relationships necessary to work effectively with operational partners in controlling an outbreak. The new structure has been introduced from 1 April 2009.

We have also begun to integrate the Egg and Dairy Inspectorates in England and Wales more closely with the rest of our work – in line with the recommendations of the Hampton Implementation Review².

We have continued to deliver, in a phased approach, the centralisation of specialist customer services. During 2008-09, we centralised international exports, the management of cross compliance and the control of ID cards. During 2009, we have begun to develop a virtual international trade hub which will streamline services, joining up exports, imports and the work of the Wildlife Licensing and Registration Service (WLRS). We have also begun work to centralise the appointments and training for Official Veterinarians (OVs), which will provide us with the first stages of a quality assurance approach to the work of OVs.

Our centralised structures are designed to deliver, through standard operating procedures, streamlined consistent services to customers and to be fit for purpose in both disease outbreak and normal

operating times. We will work closely with industry to develop services that they recognise as the best available, moving us into a strong position for future cost and responsibility sharing.

DEVELOPING OUR PEOPLE AND EXPERTISE

The agency will be recognised as expert in delivery and able to effectively work with and influence our stakeholders only if our people are all appropriately skilled and supported to deliver. Therefore, we have paid a lot of attention this year to understanding and developing our people and we will continue to build on this theme in future years.

We undertook our first employee engagement survey, designed to find out how our people around the country were feeling about the organisation and what we could do better in terms of working effectively together. We made many changes based on the feedback from the survey – including having our first staff conferences, at which every member of the team had the chance to understand the strategy and what it meant for them, and meet up and share ideas with people from other locations across the agency.

We have also invested in training and development. For our veterinary and technical staff, we have introduced a specialised development pathway. This identifies the skills and competencies needed to perform effectively in these roles and will enable individuals to develop in them, providing a structured programme to map out clearly personal development. In 2008-09, we did the preparatory work for our application to be recognised as *Investors in People*, which we successfully achieved in the first weeks of 2009-10.

Total FTE working days lost due to sickness-related absence in 2008-09 was 11,329. With total spells of absence of 2,337 during the year, this represented an average of 7.25 working days lost per FTE member of staff. This represents a decrease of 1.5 FTE working days lost relative to the previous year

We are committed to providing and maintaining a healthy and safe working environment. Health and safety guidance, training and personal protective equipment is provided for members of staff who might be exposed to infection from disease.

² *Reducing administrative burdens: effective inspection and enforcement*. Sir Philip Hampton. Available at: www.berr.gov.uk/whatwedo/bre/inspection-enforcement/assessing-regulatory-system/page44042.html

PASSING THE EURO TEST

Animal Health has taken responsibility from Defra for organising its first European Commission (EC) Food and Veterinary Office (FVO) Mission.

The EC sends missions of experts to member states to test compliance with EC regulations. Previously, Defra, as the UK's internationally-recognised Competent Authority, has had responsibility for managing such work. In November 2008, this responsibility was passed to Animal Health.

The November mission involved assessing the UK's compliance with animal by-product regulations. This required close working with, and being responsive to, the FVO inspectors and also with officials from Defra, the Welsh Assembly Government and the Scottish Government in planning and facilitating the mission.

The FVO provided details of the objectives, legal basis scope and depth of the mission and requested a draft itinerary, together with preliminary detailed information covering all the mission's requirements. Following this, the FVO liaised with Animal Health to agree a final programme of facilities and processes that they wished to inspect.

The mission necessitated working with the industry in order to include visits to animal by-product premises. Inspectors visited 15 sites covering processing and composting, producers of organic fertilisers and soil improvers and a bio-diesel plant. The FVO specified premises in East Anglia, South Wales and mid-Scotland that they wished to visit, although arrangements kept changing right up to, and even during, the mission itself.

The inspectors were accompanied throughout by Iain Bell, Animal Health's lead-Veterinary Services Manager, and also by representatives of the respective policy administrations.

The FVO also carried out two policy briefing sessions and visited four Animal Health offices, at which representatives from local environmental health and trading standards departments were also present.

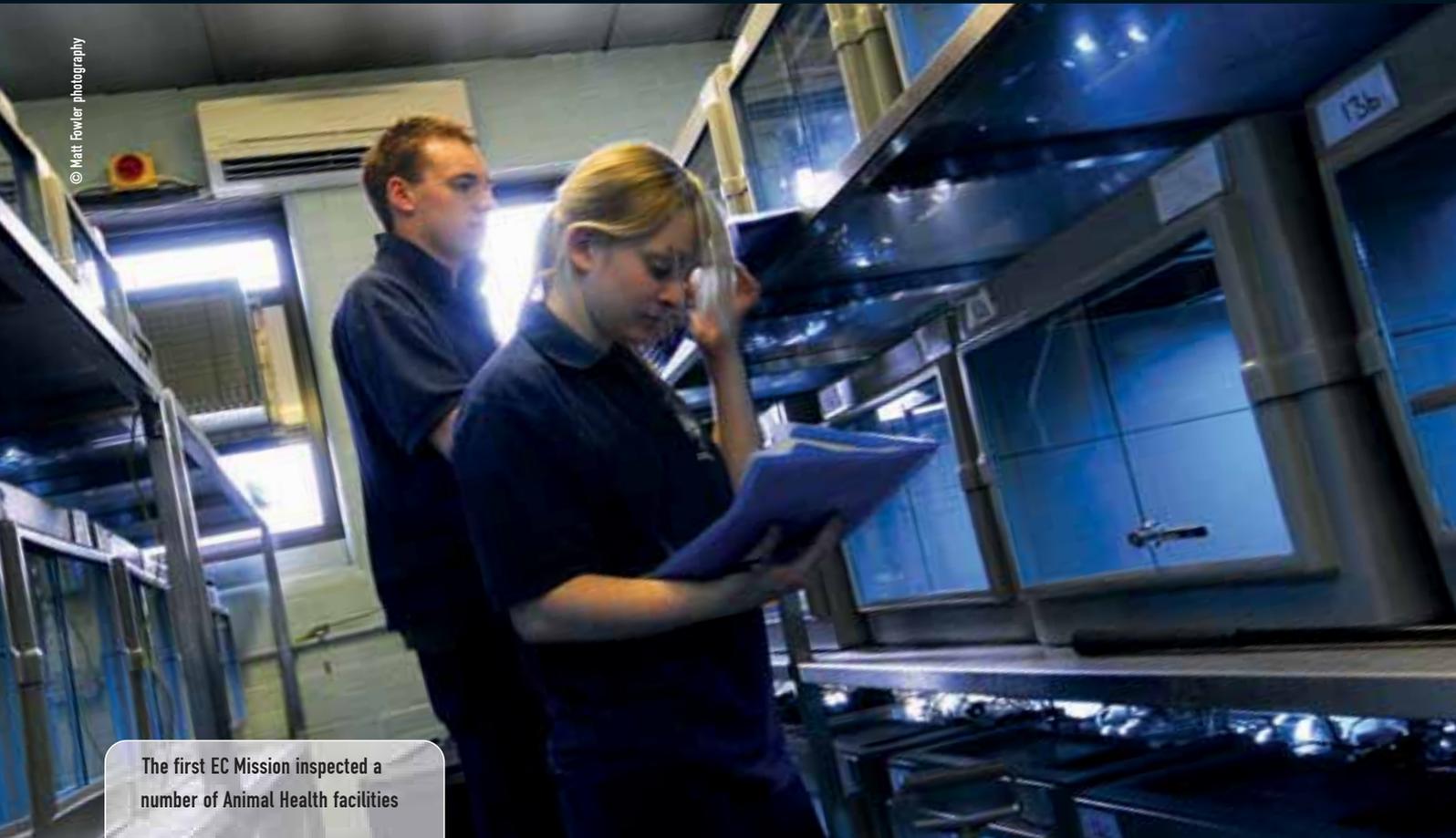
This was a very busy and demanding programme that needed to be well co-ordinated and structured. "Attention to detail was the name of the game," said Joy Cheverton, who led the Animal Health project planning team. "Daily updated reports of findings, including further FVO information requests, made for a very hectic two-week period for all those involved.

"Like much of our work, ensuring the safe disposal of animal by-products involves working with others. This particular area not only protects public health but also the environment and, as such, we also worked closely with the environmental health and trading standards departments of several local authorities, as well as with the Environment Agency"

And the outcome? A final report of FVO findings is awaited but, overall, the mission has been viewed as a success.

"Especially pleasing for me," said Joy, "was the fact that the inspectorate praised our level of professionalism and responsiveness in organising the mission and making it run so smoothly"

© Matt Fowler photography



The first EC Mission inspected a number of Animal Health facilities

We are also committed to equality of opportunity for employees and potential employees. Animal Health follows Defra's policies on disability and gives full and fair consideration to applications for employment from people with disabilities, having regard to the nature of the employment. It similarly seeks to enable members of staff who may become disabled to continue their employment. At 31 March 2009, 6.4% (2007-08 6.4%) of staff members had a notified disability.

ENVIRONMENTAL IMPACT

We are developing a Sustainable Development Action Plan which sets out the relevance of the United Kingdom's five sustainable development principles³ to our core business and how we will contribute to the aims, objectives and commitments of the United Kingdom Sustainable Development Strategy.

Through mitigating the risks of notifiable animal disease, in responding to disease outbreaks when they occur and through the other activities we undertake, we also support the Government's four priorities for action:

- sustainable consumptions and production
- climate change and energy
- natural resource protection and environmental enhancement
- sustainable communities.

Our work and associated level of activity varies according to geography, animal numbers, the suspected and actual incidence of animal disease and changes in our responsibilities. Together, these can necessitate significant variations in activity from month-to-month and from year-to-year. In assessing our contribution to overall sustainability targets, we cannot focus simply on any one indicator of 'progress' or on one sustainable development dimension. Our remit results in some of the United Kingdom's five sustainable development principles – ensuring a strong, healthy and just society and achieving a sustainable economy, through using sound science responsibly – sometimes being prioritised over the principle of living within environmental means, although achieving the former supports the latter. Establishing suitable indicators by which our contribution to each of these sustainable development dimensions can be tracked

is not straightforward either, as our real impact is the avoidance of what might otherwise occur.

Although our impact on sustainable development as a result of what we do is significantly larger than how we do it, we nonetheless consider how we contribute to sustainable development in undertaking our work.

Our environmental impacts are generated largely by our accommodation, IT and travel needs. Our accommodation is provided by either Defra or the Scottish Government, whose environmental policy accords with ISO 14001. A new facilities management contract will implement an environmental management system in Defra's estate occupied by us.

Our IT is provided through Defra's strategic IT outsourcing contract with IBM, which addresses environmental performance. Defra's *Renew IT* programme, which began in 2008-09 and which will be rolled out to us in early 2009-10, will reduce the energy consumption of PCs by some 60%. We are also participating in Defra's *Green IT* programme, which is considering wider IT factors.

Travel is driven by the policies we deliver by geography, by animal numbers, by the suspected and actual incidence of animal disease and by the extent to which we outsource work to private veterinary practices. The majority of travel is, of necessity, by private car. Even if public transport existed to enable members of staff to reach and travel between farms and other locations in a timely manner, public transport would not be suitable to carry the significant volume of protective equipment and veterinary supplies required or the potentially infectious samples, dead animals and animal parts that may be collected for analysis. Nevertheless, public transport, or alternatives such as video-conferencing, are used when possible.

In addition, we have supported an awareness of, and interest in, sustainability among members of staff; have worked through Defra's Procurement Division, which undertakes procurement activity on our behalf, to incorporate sustainability into contracts; and have mandated sustainability as a factor to be considered as a matter of course in all business cases.

³ The UK's five sustainable development principles are: living within environmental means; ensuring a strong, healthy and just society; achieving a sustainable economy; promoting good governance; and using sound science responsibly



TB eradication is a top priority in Wales and the Animal Health team is playing a key role in working towards this objective. At the coal-face every day, their understanding of both the national and local disease picture is vital. We are on a long journey but, together, I know we can make a real difference.



CHRISTIANNE GLOSSOP, CHIEF VETERINARY OFFICER, WALES

Working with policy customers in Scotland, Wales and England

Within the single epidemiological unit that is Great Britain, we believe that a unitary body can respond more effectively to outbreaks of exotic disease and become expert in delivering animal health and welfare policy more cost effectively than three distinct organisations. This means we need to be responsive to the different needs and priorities of our policy customers so that they recognise that we deliver their specific needs in a responsive, value-for-money and focused way, and this is a key strategic goal.

As part of our restructure, we have appointed three new directors as of 1 April 2009, each supported by a veterinary business partner, who will oversee field-based operations in Scotland, Wales and England respectively. These directors are now part of the Animal Health Board, ensuring that we have an appropriate awareness of, and concentration on, the issues facing all of our different stakeholders.

In Scotland, we are fully involved in the SEARS programme. In addition to our core role, we have been able to support SEARS by the provision of expertise around the negotiating of service level agreements with partner organisations. This will enable a key objective of allowing better data sharing between the various agencies. We are also a partner on the SEARS stand at the Royal Highland Show, allowing us to present a coherent approach to our shared end-user customer community. We continue to look for ways in which we can work more closely with our SEARS partners to reduce the regulatory burden on Scottish land managers.

In Wales, we have been fully involved in supporting the Welsh Assembly Government's *One Wales* initiative. This initiative includes a commitment to pursue a bTB eradication programme in Wales and adopts a multi-themed approach to doing so. A key part of this is the *TB Health Check Wales* initiative, in which we have played a lead role. This is a comprehensive, compulsory one-off programme of testing of all cattle across Wales between October 2008 and December 2009.

This will provide policymakers with a more detailed understanding of the current level and location of bTB, enabling informed control and surveillance decisions to be made. We are playing a pivotal role in delivering this large programme of work within a

demanding timeframe, by assessing and mobilising veterinary capacity across the principality. In addition, we have initiated a programme to train additional lay testers as a contingency in case of a shortage of veterinary resource.

Recognising that successful eradication cannot be the responsibility of government alone, the Welsh Assembly Government has asked that our Divisional Veterinary Managers chair the Regional TB Eradication Delivery Boards. These will ensure better co-ordination across the farming industry, veterinary profession and government, and will also recognise and manage regional variations in the nature of the disease.

In England, we have supported Defra in developing new ways of working with industry, in line with the principles of their responsibility and cost-sharing (RCS) agenda. For example, regulations requiring the BSE testing of cattle over 24 months, which have died or been killed on farm other than for human consumption, were amended by Defra in January 2009. As part of these changes, the free collection and disposal service for adult cattle ended, with livestock keepers becoming responsible for the costs associated with the collection, testing and disposal of fallen cattle. This contributed to an overall saving to the taxpayer of £32 million per annum.

Testing of these adult cattle had previously been undertaken at 11 sites under an integrated livestock disposal contract funded by the Rural Payments Agency. With haulage, testing and disposal being at the farmer's expense, there was an urgent need to approve additional sampling sites to reduce the costs of transport. Any site meeting certain animal health legislative requirements became eligible to apply to be approved to undertake this work.

We became responsible for approving and monitoring these sampling sites. In order to increase the number and geographical spread of approved sites, we approached all Category 1 (suitable) animal by-product approved incineration, rendering and intermediate sites, and Category 2 (currently unsuitable) sites, which may be suitable for upgrading to Category 1, to advise them of the new procedures and approval criteria to become TSE brain stem sampling sites. Between January and end of March 2009, we were successful in increasing the number of sites approved to handle brain sample testing to 53.

AN 'ALL-HANDS' RESPONSE TO HEALTH CHECK WALES

When the Welsh Assembly Government announced a major new policy initiative to eradicate bTB in Wales, Animal Health rose to the challenge. A key part of this *One Wales* initiative was to obtain an accurate disease map and for this the Assembly Government asked Animal Health to undertake the *TB Health Check Wales* programme to test all herds in the principality between October 2008 and December 2009.

Thomas McCabe, Animal Health's *TB Health Check Wales* Programme Manager, said: "We had a 15-month window, during which we had to work out how to do this, and then do it. The requirement was to test all 12,500 Welsh herds. Communication was the key not just with the farming community who had to be told about the *Health Check*, but just as importantly with the veterinary profession as the majority of routine bTB testing is performed by Official Veterinarians (private vets) working on our behalf.

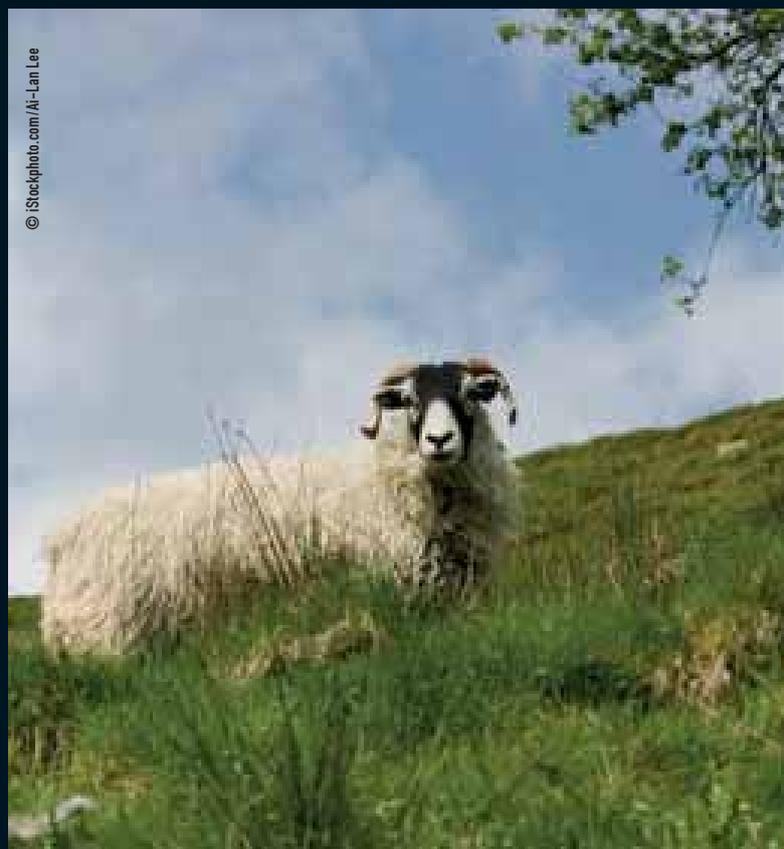
"The priority was to establish what work needed to be done and whether sufficient veterinary capacity existed in Wales to manage the extra work required in the timescale available." The response was encouraging with the vast majority confirming that they could meet the demands being placed on them. A number of practices actively recruited additional veterinary staff. Since then, the challenge has been to work closely with practices to monitor progress and ensure that the required rate is being maintained.

"Some routine testing, such as short-interval tests on herds where bTB has been confirmed, which is normally undertaken by Official Veterinarians, has been done by Animal Health staff seconded into Wales from England or Scotland. This has relieved some of the pressure on practices and enabled them to concentrate on the *Health Check*," Thomas continued.

At the end of March, a total of 6,711 herds had been tested against the predicted target of 6,297. This has resulted in 66 reactors and 286 inconclusive reactors being found, cases which may not otherwise have been detected until at least 2010.

A key policy objective was also to reduce the number of overdue tests in Wales. There are numerous reasons why herds are not tested by the due date. In the majority of cases, the registered keeper simply needs a reminder, but a number involve the inability or unwillingness to present animals for testing. In response, Animal Health has introduced a protocol for dealing with overdue tests. This has involved a concerted effort by all parties to encourage and persuade keepers to test.

Between October and April, the number of overdue tests has been reduced from 711 to 104. In partnership with local authorities, Animal Health is proceeding with compulsory testing, including using contractors to provide cattle-handling facilities, to reduce this number further.



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RAMMING HOME SUCCESS: WINNING THE WAR ON TSEs

The success of Animal Health in working with industry to combat TSE enabled Defra to close the Ram Genotyping Scheme (RGS) in March 2009.

Since 2001, the RGS had provided free scrapie genotyping of 18m sheep in 11,000 flocks, contributing to significant increases in the resistance of mainstream breeds and the reduction in scrapie.

"The closure of the RGS reflects the fact that the number of cases of BSE and scrapie in Great Britain has continued to fall," said Fiona McCormack, Animal Health's Veterinary Services Manager for TSEs. "In 2007, there were 53 confirmed cases of BSE compared to 37000 in 1992, and 82 confirmed cases of scrapie compared to 597 in 1999. Further reductions are expected."

The science underpinning this decision was examined by the European Union's Spongiform Encephalopathy Advisory Committee (SEAC). SEAC concluded that, having regard to the latest research and surveillance testing, the prevalence of BSE in the UK sheep population is most likely zero, or very low if present at all. Consequently it has said that the RGS will have little impact on public health protection.

Farm visits by Animal Health staff to blood sample rams were able to end in December 2008, with the scheme closing in March 2009.

Controls in abattoirs, including the testing of cattle and the removal of specified risk material such as brain and spinal cord, do however remain in place, as will controls on feed to protect animal health.

ARBOR ALERT: WORKING IN PARTNERSHIP TO SAVE SCOTLAND'S WOODLANDS

The Scottish Government has looked to biosecurity measures developed by Animal Health to help halt the spread of a fungal disease threatening the nation's tree population.

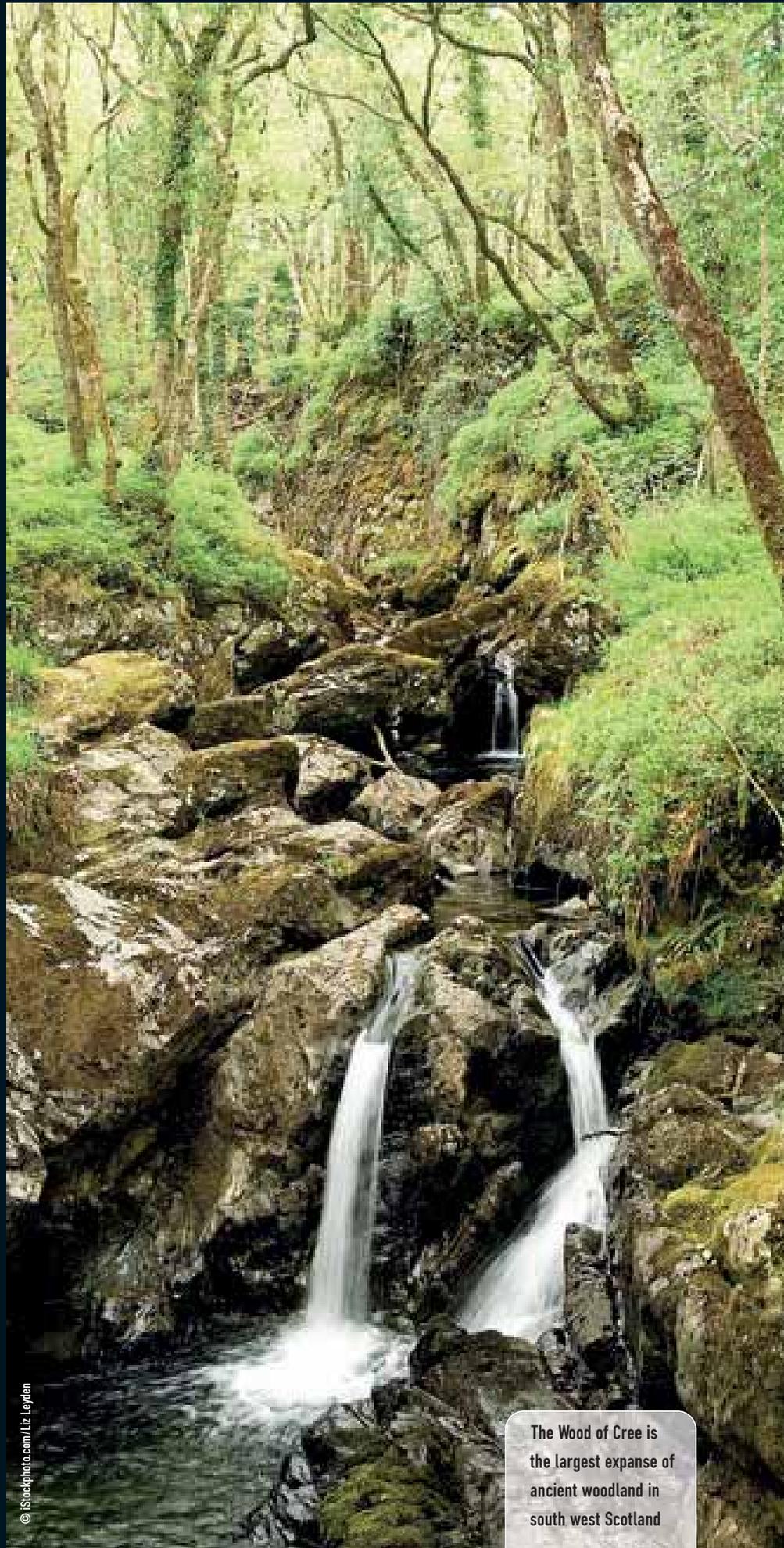
Scotland's oaks and alders are all under potential threat from phytophthora disease, which spreads from rhododendron bushes and which has already been blamed for an outbreak of 'sudden oak death' among trees in North America.

Under the auspices of the SEARS partnership*, which is made up of nine agriculture-based agencies, including Animal Health, to streamline services to land managers, the Scottish Government is keen to put the biosecurity protocols to the test.

"Animal Health is taking on a lot of the work to establish biosecurity protocols for SEARS and the Scottish Government is looking to potentially test the effectiveness of these procedures in preventing the spread of phytophthora fungus," said Galashiels' Administration Manager Amanda Aitken.

Key to halting the spread of disease across an agricultural landscape is cleanliness – of vehicle tyres, footwear and clothing – and Senior Animal Health Officer Roddy Dunn has been at the forefront of the project to establish Animal Health biosecurity methods as the model for the SEARS partnership.

**SEARS aims to provide Scotland's rural land managers with a customer-focused one-stop shop for all agricultural and environmental services, by co-ordinating contacts and visits, providing easy access to information and advice and ensuring a consistent and responsive approach. The group is made up of Animal Health, the Cairngorms National Park Authority, the Crofters Commission, the Deer Commission for Scotland, Forestry Commission Scotland, the Loch Lomond and Trossachs National Park Authority, the Scottish Environmental Protection Agency (SEPA), the Scottish Government Rural Payments and Inspections Directorate and Scottish Natural Heritage.*



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The Wood of Cree is the largest expanse of ancient woodland in south west Scotland

DON'T HESITATE, VACCINATE: PREVENTING THE BLUETONGUE INVASION

The first cases of bluetongue disease were seen in the United Kingdom during 2007 and cases have continued to be reported since then.

Being spread by biting midges, bluetongue is a particularly difficult disease to control and eradicate. In response, Animal Health has worked closely with policy departments and the livestock and veterinary medicines industry to support the development of bluetongue control policy; in particular, supporting the development of strategies that reflect the lessons learned since August 2007 the developing situation in continental Europe and the associated risks of incursion by new serotypes of the disease.

A key part of this strategy has been to vaccinate susceptible animals. Under European Union (EU) law, vaccination can be carried out only in a protection zone (PZ) and, therefore, to enable vaccination, the PZ established in response to cases of the disease in 2007–08 had to be expanded throughout 2008 as manufacturers have made the vaccine available for use.

"Telling farmers and other keepers that they were subject to PZ restrictions became a priority task. We worked closely with colleagues in Defra, the Welsh Assembly Government and Scottish Government to make sure all keepers with susceptible livestock knew when vaccine was to become available to them and how to access it," said External Communications Manager Adrian Rogers. "We have issued tens of thousands of individual messages to keepers using both e-messaging channels, including sending voicemails to individuals' telephones and also through mass direct mailshots."

Once within a PZ, a new partnership, the JAB campaign, has led on encouraging farmers to vaccinate. "Although various parts of government, including Animal Health were involved, the JAB campaign was predominantly industry-led as it was felt that those working in the livestock industry were best placed to sell the importance of vaccination to their own," said Adrian.

In addition, Animal Health has been required to respond to reports of suspect cases of the disease, undertaking veterinary investigations and, where necessary, imposing restrictions on the movement of susceptible animals on and off infected premises. Between April–December 2008, there were over 300 reported cases of suspect bluetongue. Nineteen cases were confirmed as positive, although these were either in imported animals or were attributed to infection acquired during 2007. No evidence of circulation of bluetongue within Great Britain during 2008 was discovered and this is undoubtedly due to the very good uptake of vaccination by livestock keepers in the south and east of England whose actions prevented re-emergence of disease in 2008 and so protected the livestock industry from the levels of the disease seen in continental Europe.

"We have had to respond to each of these reports and, importantly, also consider as an agency how we could best deliver against any large increase in our workload that could realistically be required if the disease situation elsewhere in Europe were replicated in Great Britain," said Veterinary Services Manager Richard Hepple. "This has required that we develop options that consider when, who and how we respond."





With the guidance and support of the Animal Health team, the Seawell Grounds Saler Cattle have continued to improve the demand for beef breeds able to meet the International Market Standards.

PETER DONGER, OWNER FARMER,
NORTHAMPTONSHIRE



We found working with Animal Health in Kirkwall a very useful experience as we worked together to find practical solutions to the animal health and welfare issues that arose while we designed, tested and implemented our new livestock containers for use on ferries.

EDDIE BARCLAY,
FREIGHT/LOGISTICS



Wild goat in The Valley of the Rocks, Exmoor

Influencing the behaviours of end-user customers

Our success in achieving our purpose – reducing animal health and welfare-related risks – relies on our ability to influence the behaviours of animal keepers and other end-user customers. We have recognised the need to become expert in understanding and influencing those key groups and this will include issuing relevant, up-to-date, accessible guidance and ensuring effective enforcement.

As the Hampton recommendations make clear, truly effective regulation delivers its objectives by prevention rather than correction wherever possible. It requires a genuine insight into the community to be regulated and the ability to communicate the necessary messages in a persuasive and effective way. It is also risk based and we have begun the process of working with our policy customers to find ways to concentrate our resources in the areas and on the customer groups where we can make the greatest difference to animal health and welfare-related risk.

As a regulator, we also work on behalf of our end-user customers to help them avoid the risk of non-compliance.

We have assumed responsibility from Defra for the provision of advice and guidance on matters from good biosecurity to welfare to our end-user customers. A dedicated team has been created to review and enhance the content and presentation of guidance, in consultation with user representatives. In doing so, we will make available better, more relevant and accessible guidance, published in both English and Welsh, to livestock keepers to help ensure better compliance and enable more effective enforcement.

Related to this has been our work in developing the livestock information published on www.businesslink.gov.uk. Business Link is a cross-government business advice and support service and we have successfully worked in partnership with the Department for Business, Enterprise and Regulatory Reform, Defra, the Rural Payments Agency, Natural England and the Environment Agency in developing and publishing advice and guidance to livestock sector businesses through this single information hub.

One of the most important times for us to be closely

and effectively in touch with end-users is in the event of an outbreak of exotic disease. Our ability to reach a large and diverse audience with near real time information has been improved by our disease alerts messaging service, a subscription service enabling mass electronic-messaging to registered users.

During 2008-09, and working in partnership with the British Horse Society, we have begun extending this service to equine keepers in order to improve our ability to reach horse owners quickly in the event of a notifiable exotic equine disease outbreak.

In order to engage successfully with our end-user customers, it is important that we understand them as comprehensively as possible. To support our considerable local engagement and practical field-based experience, we have initiated our customer insight strategy to analyse our customer base formally so that we can direct our efforts effectively. This builds on the work we have done in building our customer registration database to enable us to analyse data better and undertake meaningful segmentation.

In line with Hampton principles, we recognise that, as a regulator, part of our role is to facilitate and encourage economic progress. Proportionality in enforcement action means taking account of the degree of the risk of harm caused by non-compliance. During the report year, we have begun work on developing our enforcement strategy and protocols which will enable our enforcement activity, in partnership with others, to be better prioritised according to risk.

We have particularly focused on areas where regulatory intervention has the most impact, including assessing the level of potential harm that may arise. As part of this, we have begun planning a three-year programme of enforcement training for veterinary and technical staff, and looking at how we can share best enforcement practice across our veterinary, technical, dairy hygiene, egg marketing and endangered species functions.

Transparency means helping those we regulate to understand what is required of them in order for them to comply and what they can expect from us in return. Our published guidance will include clear indicators of the penalties faced by those responsible for breaching regulations.

A RISK-BASED BUSINESS: KEEPING OUR MILK SAFE

Animal Health's dairy hygiene inspectors have introduced a revised, comprehensive, risk-based approach to monitoring regulatory compliance, thus ensuring the safety of the nation's milk supply from England and Wales. With more than 11,200 dairy herds in England and Wales, it is important that inspections are organised in the most effective way possible to provide value for money and minimise risks to public health while still meeting the requirements of the Food Standards Agency (FSA) that all herds are inspected at least once every two years.

"In response to the *Hampton Report*, and following a customer audit, we have updated the risk rating system to bring it into line with the principles of enforcement used by food authorities," said Carl Parker, Animal Health's Dairy Hygiene Technical Services Manager.

"An overall 'risk score' has been devised which places dairy premises into one of four risk categories, which in turn determines the frequency of inspections."

The revised model includes unannounced inspections to identify the current level of compliance strengthened by a Confidence in Hygiene Management

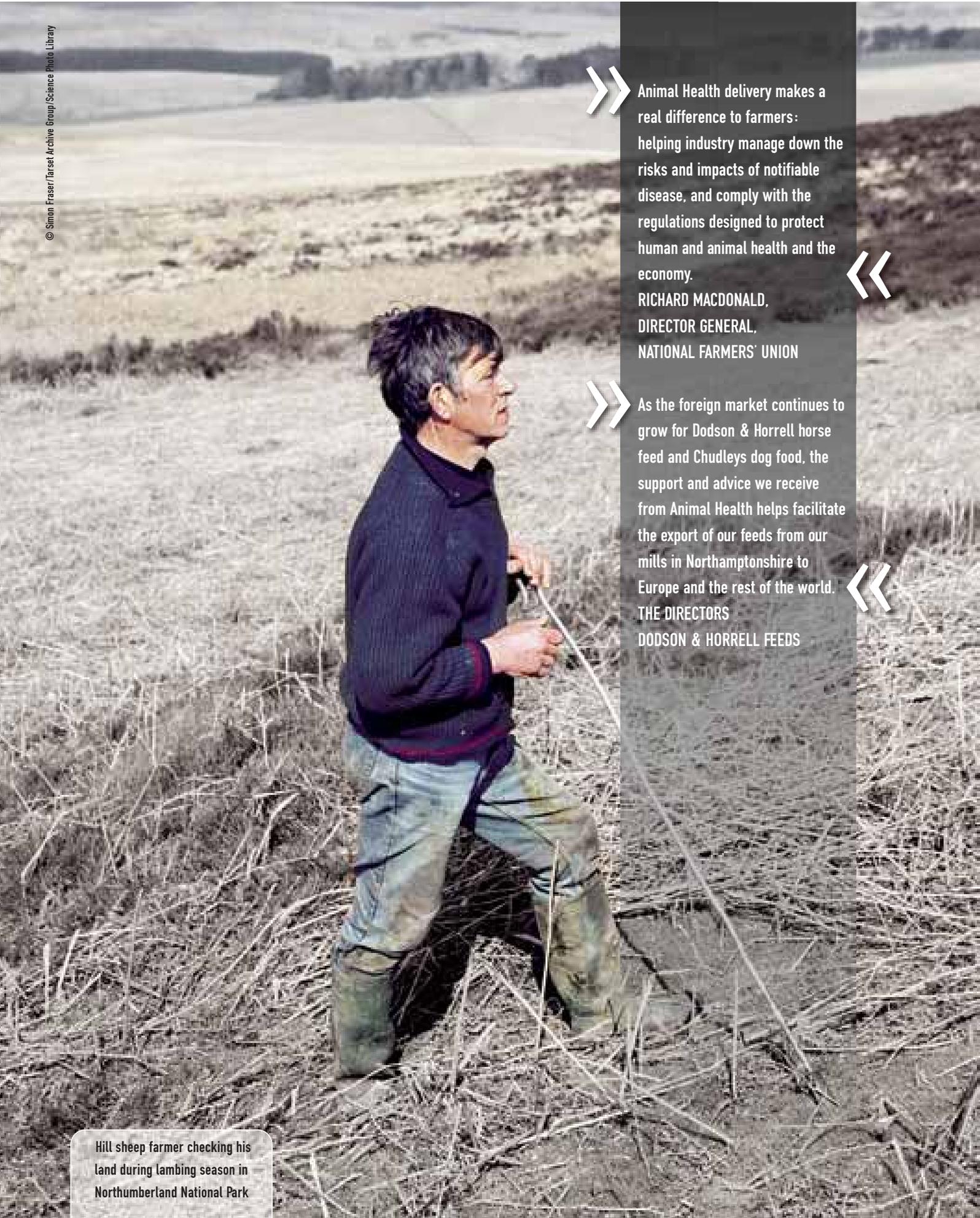
(CHM) score which takes a longer-term perspective of the standard of hygiene practised at dairy premises.

"The CHM rates risk on the results of hygiene assessments made over a period of time and, in particular, whether previous issues have been corrected. This, together with the current level of compliance at the time of the inspection, means we can target our resources proportionately on those whom we believe consistently represent a significant risk of non-compliance," said Carl.

"The CHM is openly shared with the producer and an important part of the process is to offer advice and guidance on how to comply with the regulations. The first priority is to put right anything that risks contaminating milk.

"For the future, we have begun to explore, in partnership with the dairy industry and the FSA, whether we can use the industry's own farm audits to inform risk ratings. If we can, this may enable some producers to be inspected less frequently, providing there can be appropriate assurances that the inspection regime operates effectively and is fit for purpose."





Hill sheep farmer checking his land during lambing season in Northumberland National Park



Animal Health delivery makes a real difference to farmers: helping industry manage down the risks and impacts of notifiable disease, and comply with the regulations designed to protect human and animal health and the economy.

**RICHARD MACDONALD,
DIRECTOR GENERAL,
NATIONAL FARMERS' UNION**



As the foreign market continues to grow for Dodson & Horrell horse feed and Chudleys dog food, the support and advice we receive from Animal Health helps facilitate the export of our feeds from our mills in Northamptonshire to Europe and the rest of the world.

**THE DIRECTORS
DODSON & HORRELL FEEDS**



Working effectively with others

Designing cost-effective delivery mechanisms and delivering efficiently requires collaborative working across a network of organisations that all have a contribution to make. We therefore need to develop the ability to co-ordinate and collaborate across organisational boundaries to design and deliver integrated solutions to our policy and end-user customers.

INDUSTRY

We recognise the importance of industry input into the design of any systems or processes which have to be used by livestock keepers/handlers. During 2008-09 two industry groups under the auspices of our Livestock Partnership were inaugurated. These groups provide an opportunity for us to work directly with leading livestock practitioners and get their views and ideas on proposals for change and to make sure we understand issues and potential solutions from the industry perspective.

Working together, we have recently undertaken an exercise to gauge enthusiasm for joint or industry-led initiatives in the area of livestock identification and movements. A number of potential developments will be looked at, together with colleagues from Defra, the Welsh Assembly Government and Scottish Government as appropriate, early in 2009-10.

Also in 2008-09, we undertook a field study to test the feasibility of the recommendations relating to Livestock Movement Units made in the Madders Review of Livestock Movement controls. More than 80 farmers gave up time to help us understand the implications of the current rules and any changes on their businesses. High-level conclusions were that recording land and buildings used by livestock keepers would achieve greater clarity – for both government and industry – as to where animals are kept and when movements should be reported and standstills observed. During 2009-10, a detailed business case will be developed and, subject to appropriate funding being secured, further work will be undertaken to plan how this could be implemented.

Much of our work on disease control also involves close collaboration with industry – examples include the campaigns we have carried out on bluetongue and the work we are doing on bTB, jointly with our policy customers, in both England and Wales. We also work with IBM under a Defra contract to

supply and support our information systems. IBM is also our business partner in the BRP.

OTHER GOVERNMENT AGENCIES

We have continued to work on behalf of Great Britain-wide payment agencies in undertaking cross-compliance welfare inspections. We also undertake veterinary medicines residue work on behalf of the Veterinary Medicines Directorate.

In order to reduce the number of on-farm visits by officials, in 2008-09 we established a pilot programme to share information with the payment agencies regarding our on-farm visits to test for bTB. This enables us to notify these agencies of testing days/times and allows them to co-ordinate their cattle identity inspections where appropriate. This will reduce the burden on livestock keepers of gathering animals separately for each organisation. There should also be improved animal welfare through reduced livestock handling.

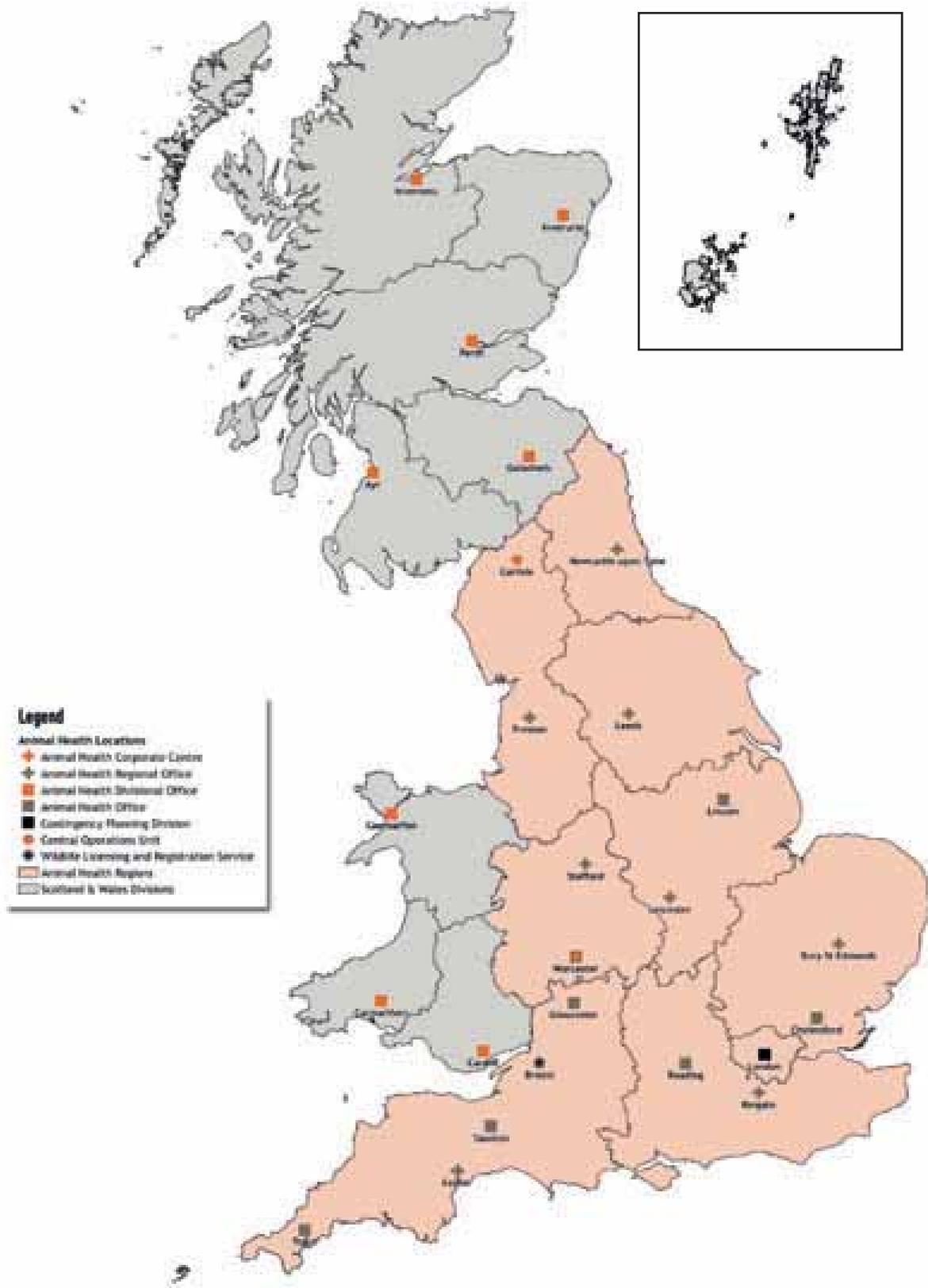
The restructure of our operational model from 1 April 2009 in England also better aligns us with partner organisations operating within the Government Office regions. In doing so, we seek to improve our collaborative working relationships and thereby enhance our delivery.

LOCAL AUTHORITIES

During 2008-09, we have worked jointly with the Local Authorities Co-ordinators of Regulatory Services (LACORS), the Welsh Assembly Government and Defra to develop a new Animal Health and Welfare Framework for England and Wales. This came into effect on 1 April 2009 and reinforces partnership working between these bodies. It does so by clearly defining roles and responsibilities, sets minimum standards for local authorities to reach in animal health work and defines critical control points where effort should be concentrated. It requires all local authorities to produce a service delivery plan in agreement with our relevant Regional Operations Director or Divisional Veterinary Manager.

At the same time, a new English national indicator will come into effect. "Achievement in meeting standards for the control system in animal health" is the only one of 198 indicators that covers animal health-related work, including contingency planning, intelligence sharing and enforcement action. Local authorities are expected to self-assess, with scores

Figure 2 Map of Animal Health regions and divisions



to be assessed by the Audit Commission, and input into the national data hub for the first time in June 2010. This will give us the basis for more focused discussions with local authorities on how to improve the standard of work we do together.

OFFICIAL VETERINARIANS

Certified and trained OV's constitute an essential part of our delivery capability. They undertake much of the work required to deliver our surveillance testing regime for bTB, as well as many other tasks.

We have been working to formalise and further improve the customer and business relationship between Animal Health and the private veterinary practitioners appointed to work as OV's. The existing memorandum of understanding between Defra and the British Veterinary Association (BVA) will be replaced by a new framework agreement between Animal Health and individual practices. During 2008-09, this has been drafted, along with proposed service delivery standards which reinforce the need

for practices to take responsibility for quality assurance, technical training and continuing professional development. These documents are in discussion with the BVA and the intention is that they will be agreed by the end of 2009-10.

We are also discussing a new fee structure with the BVA drawing on the recommendations in a report from ADAS UK, which has been commissioned to provide an independent review of the way Government funds the work undertaken by private vets.

We have also begun the centralisation of OV appointment and training in a single national team. This will improve communication and consistency of service for OV's and we aim to allocate trainees to courses faster and ensure consistency in delivery of training. As part of the OV Reform Programme, the need to improve communications with practices was identified, and in response to this *The Official Veterinarian* newsletter has been inaugurated.

»» The new Animal Health centralised exports service has worked for me! I found the service helpful and knowledgeable, responding to what was a complex problem efficiently and courteously. Livestock export certification can be a minefield for vets in practice. It is essential that we have a speedy and efficient service to help us. Working with the exporter, central policy, and the local Animal Health office, your service has provided solutions to make the job run smoothly. Many thanks.

R. J. SIBLEY, PRIVATE PRACTICE VET, DEVON

»» A year on from FMD in Surrey and the County Council Trading Standards Officers were continuing to enforce residual restrictions, a time consuming and frustrating task, but one which has been made easier by co-operation from Animal Health staff.

KEVIN CHESSON, SECTION HEAD – ANIMAL HEALTH & WELFARE, SURREY COUNTY COUNCIL, TRADING STANDARDS



POLICING ACTION: WORKING IN PARTNERSHIP TO PROTECT ENDANGERED WILDLIFE

Animal Health's Wildlife Licensing and Registration Service (WLRS) is the part of the United Kingdom CITES management authority responsible for dealing with applications to import, export and use for commercial gain species protected under the CITES EU regulations. In addition, they also administer a small section of domestic legislation dealing with the registration of certain species of birds kept in captivity

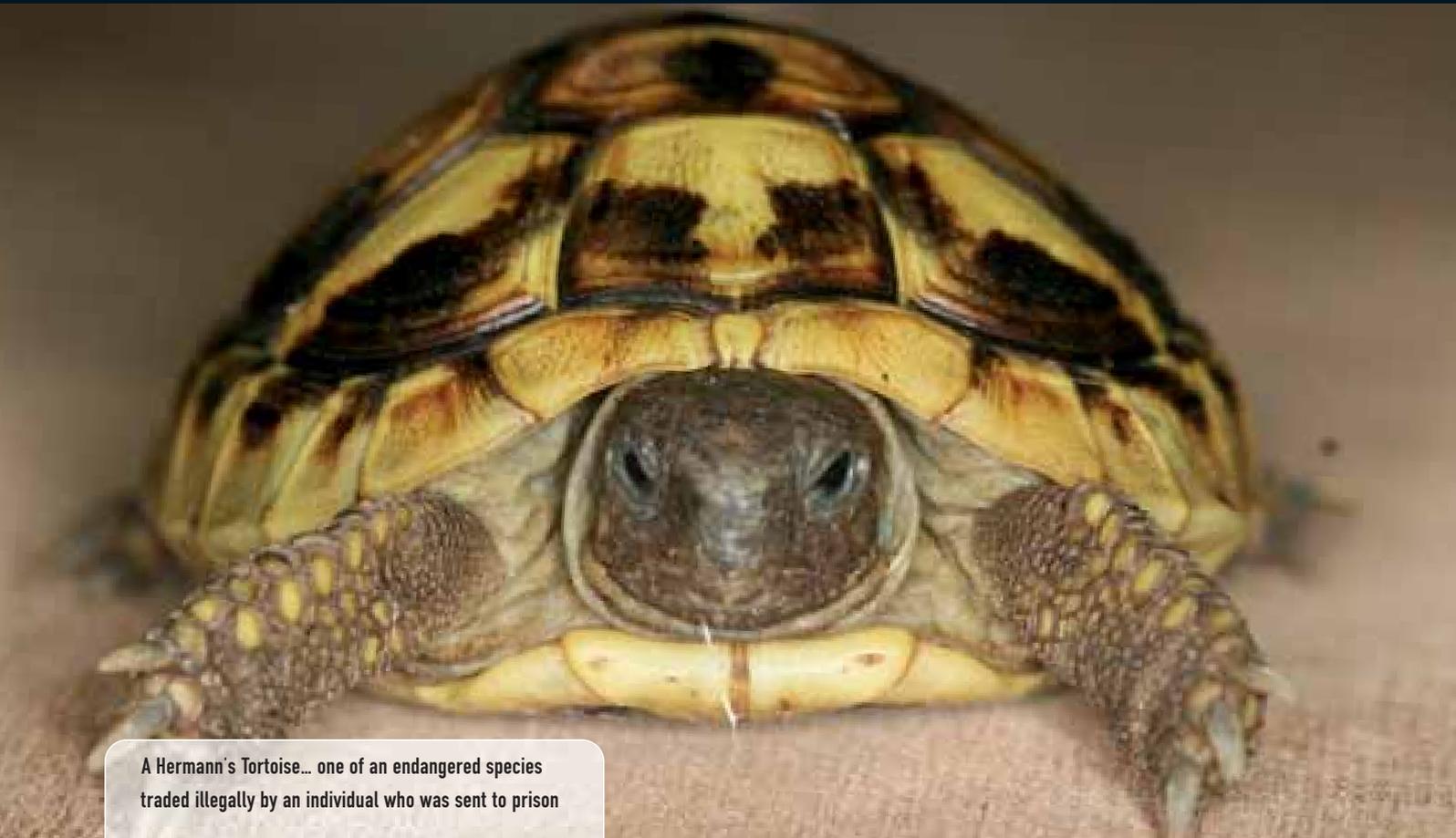
WLRS works closely with the statutory enforcement authorities to support wildlife conservation, liaising and co-ordinating action with the police, HM Revenue and Customs and the National Wildlife Crime Unit (NWCU) in relation to the identification, investigation and prosecution of wildlife crime. To strengthen the working relationship among these partner organisations, and importantly to ensure that best practice is shared, Police Inspector Nevin Hunter has been seconded to work as Animal Health's Chief Wildlife Inspector, initially for a two-year period. Nevin, who prior to the secondment was Devon and Cornwall police's wildlife crime officer brings a wealth of knowledge and experience to this work.

His team of wildlife inspectors undertakes both announced and unannounced inspections and also provides expert support and advice to the enforcement agencies. "Good enforcement is the key to the effectiveness of CITES and bird registration and we have now combined our inspectorate with our enforcement support team into a combined Compliance Team to ensure a co-ordinated approach in support of partner agencies," said Nevin. For illegal imports or exports (including re-exports) we work closely with HM Revenue and Customs. "While Animal Health has powers to inspect, we

do not have the power to search and seize. These powers belong to the police and customs and it is very important that we ensure the work of all the agencies involved is co-ordinated in order to be effective," Nevin explains.

"By being seconded to Animal Health, I have been able to bring my knowledge of policing practice, such as the police's national intelligence model – a risk-based business prioritisation model – to Animal Health. We have also worked with the police in using DNA identification techniques to determine whether birds are captive bred, wild taken or illegal imports." CITES crime is one of the UK's wildlife crime priorities and, within this broad target, five areas have been separately identified: caviar production, ramin (a tropical hardwood), tortoises, ivory and traditional medicines. "Our goal is not to prevent trade, but to ensure that the trade is legal and sustainable in order to protect the biodiversity of our planet and the economic viability of vulnerable local communities," said Nevin.

The work of the Compliance Team has already proved successful with the conviction of an individual involved in large-scale illegal trade in tortoises in March 2009. He was sentenced in May 2009, receiving an eight-month sentence and becoming the first person in the UK to be made subject of a Serious Crime Prevention Order, banning him from any trade in CITES species for three years. Wildlife inspectors provided identification expertise during the operational phase of the operation against this man. Following this careful scrutiny by the Compliance Team, records held by Animal Health proved key to the police investigation.



A Hermann's Tortoise... one of an endangered species traded illegally by an individual who was sent to prison

SAFE KEEPING: PROTECTING THE FOOD CHAIN

In April 2008, animal feed contaminated with animal proteins was discovered as part of routine surveillance work, with potential implications for the safety of the human food chain and for animal health. Animal Health responded quickly, working in partnership with others to understand and minimise the risks. The contamination was discovered from samples taken as part of the Animal Health-run National Feed Audit. The samples showed contamination with muscle fibre, terrestrial animal bone and fish bone. Information suggested that this wheat feed had been distributed within Great Britain for animal feed use.

"Feeding mammalian meat and bone meal was banned from all farmed livestock feed in 1996 in order to control BSE," said Lead Animal Feed Veterinary Officer David Harris. "Following testing of the samples, restrictions were placed on potentially contaminated stock at feed mills

and upon ruminants (animals that chew the cud) exposed to contaminated feed in order to prevent their entry to the human food chain while investigations continued.

"The amount of work involved in tracing and restricting contaminated feedstuffs and ruminants that may have consumed it was considerable, made all the more daunting by the need for speed. This could only have been achieved with excellent support from the industry and, in particular, the Agricultural Industries Confederation.

"It was important that as early as possible the risks involved were understood. We worked closely with the Veterinary Laboratories Agency (VLA) in order to identify the species of origin of the contamination."

LIFELINE: SUPPORTING ISLAND ECONOMIES

Shipping livestock for slaughter from Orkney and Shetland to the mainland entered a more sophisticated age with the arrival of the double-deck animal transport container complete with solar-powered lighting and built in effluent sump.

Eight years of research and development finally reached fruition during the autumn – the peak period for cattle and sheep exports from the Northern Isles to Aberdeen – when the new EU-compliant aluminium containers were brought into service on Northlink Ferries' ships plying between the islands and the north-east of Scotland.

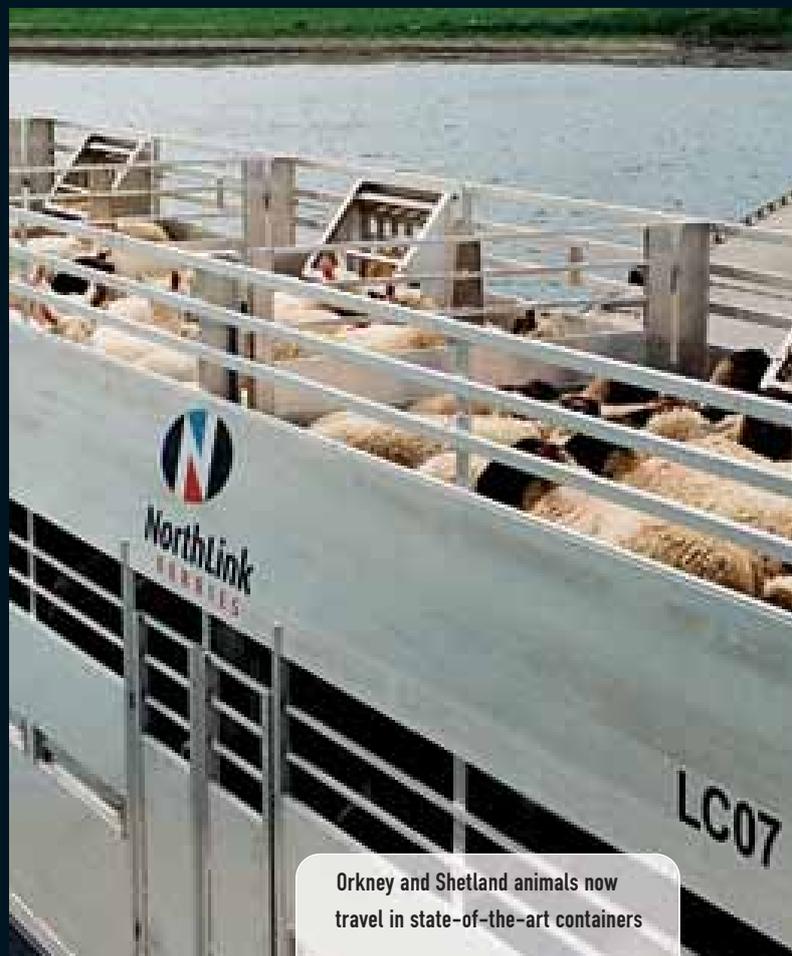
The introduction of an initial 37 containers represents the culmination of a prolonged project for Animal Health's Kirkwall-based Veterinary Officer Willie Stewart, his Animal Health team, the ferry company, manufacturers Stewart Agricultural Limited and the farming communities of Orkney and Shetland.

"Standards of agriculture throughout the islands are extremely high and the local farming community and enforcement agencies have been pressing for a new system of transporting animals to the mainland which matches those standards and which is EU compliant," said Willie.

Prior to the introduction of the new containers, farmers relied on the seasonal dedicated livestock boats to ferry up to 20–30,000 cattle and some sheep from the Orkneys and around 100,000 sheep and a number of cattle from Shetland to Aberdeen for slaughter. The existing containers were old, outdated and rusting and failed to comply with latest EU legislation, while the dedicated and suitable livestock ferries operating worldwide were becoming more expensive and harder to charter at key times.

The new container is no longer confined to livestock-dedicated vessels, can cope with individual cattle weighing up to 700 kilos – and is hygienic and

easy to clean. Each unit has its own solar-powered lighting system, snap-fit water-hose point, nipple drinkers for cattle and water bowls for sheep. There are no sharp corners where livestock might suffer bruising and loading and unloading is easy and safe. In total, the containers can hold 15 cows or 20–21 store cattle on the lower deck and approximately 100 small lambs on each deck – a total of up to 200–220 lambs per container depending on the size of the lambs.



Orkney and Shetland animals now travel in state-of-the-art containers



Our targets reflect both the need to ensure compliance with this legislation, and the particular and differing needs of our policy customers and our own business development priorities.



4 Performance against targets

The majority of our work is determined by legislation which, in turn, is driven by policies to minimise disease risk in Great Britain and, through working collaboratively with other countries, in the EU and across the world.



A young stag above Loch Torridon in the Wester Ross mountains of Scotland

Our targets reflect both the need to ensure compliance with this legislation, and the particular and differing needs of our policy customers and our own business development priorities.

Since becoming an agency, considerable effort has been put into developing the processes and systems necessary to measure activity consistently. This investment now enables us to produce more timely

and comprehensive management information. The following section summarises our performance in 2008-09 on the key strategic and customer priority targets. These are described as met, not met or met in part (applied when the major element or elements of a target have been fulfilled).

Performance against targets has been audited by, and agreed with, Defra's Internal Audit Division.

Ministerial strategic targets 2008-09

PRIMARY CATEGORY: VALUE FOR MONEY

TARGET: Achieve 3% (£3.4m) efficiency gains by the end of the financial period 2008-09.

MET: Efficiencies of around £3.6m were generated during the year as a result of the introduction of the first operational BRP modules, the centralisation of certain functions and overall improvements in the delivery of services to both external and internal customers.

PRIMARY CATEGORY: DEVELOPING CAPABILITIES

TARGET: Work with Defra's Food and Farming Group (FFG) to plan a programme of transfer of functions to Animal Health by the end of quarter two. The programme will include the development of specific capabilities to deliver the new work successfully and implementation of the first tranche of agreed transfers before the end of April 2009.

MET: Agreed transfers implemented and successfully integrated into Animal Health's business processes.

TARGET: Review the capabilities and deployment of resources in disease emergencies and produce proposals for improvements, including associated costs. Agree and publish an implementation plan with corporate customers in England, Scotland and Wales by the end of quarter one.

MET IN PART: New disease outbreak model incorporated into future business design. First stage of future business model – senior management structures – delivered. Further work is required to show the Local Disease Control Centre model incorporating Forward Operating Bases (FOB) and how teams would operate from a FOB.

PRIMARY CATEGORY: CUSTOMER FOCUS

TARGET: Successfully implement BRP Customer Contact Module to the specification agreed by the BRP Programme Board.

MET: Successfully implemented processes formally adopted by Animal Health operations.

TARGET: Carry out a customer analysis and identify key customer segments and satisfaction drivers for them. Cover the full spectrum of our customers (including our corporate and direct customers) and devise and implement a programme of measures to make Animal Health more customer-centric.

MET IN PART: Customer research has begun, with a focus on genuine research, to inform how services are designed and delivered, rather than traditional pure satisfaction. Qualitative and quantitative analysis has still to be completed.

Other strategic targets 2008-09

TARGET: Review Animal Health's operational footprint in light of the proposed changes offered by Business Development Division and centralisation.

MET IN PART: An estates strategy has been developed and a number of national work streams developed to address estates issues in England, Wales and Scotland respectively.

TARGET: Recruit and define role of lead managers to manage relations with corporate customers.

MET: Target met through recruitment of directors for Scotland, Wales and England from 1 April 2009.

TARGET: Produce and publish (within Animal Health) an external communications strategy.
MET: This is an on-going activity. Key activities have been to strengthen communications with corporate customers through issue of *Frontline* newsletter, and with Official Veterinarians through the *OV Newsletter*. Contributed to publishing of livestock advice and guidance on www.businesslink.gov.uk, with plans to migrate content from Animal Health website. Attended a number of royal agricultural shows.

TARGET: Produce Animal Health guidance and information relating to areas to help reduce risk of infection and notifiable disease for key sites such as markets and abattoirs.
MET IN PART: A risk-prioritised advice and guidance programme has been implemented. A shortage of veterinary and administrative resource (put on hold during organisational restructure) has delayed work. Engagement has been undertaken with Business Link, potential contractors and enforcement partners to develop a strategy in advance of staffing.

TARGET: Scope out potential charging strategies in advance of Responsibility and Cost Sharing (RCS) so that we can input an influence to the RCS team.
MET: A cross-organisational working group (including Scottish Government and Welsh Assembly Government) has been set up to explore cost and charging issues.

TARGET: Design and implement a programme for cleansing of customer information to ensure that we have accurate information.
NOT MET: Work against this target has been put on hold awaiting further clarification as to how data quality issues will be managed.

TARGET: Continue relationships with livestock industry to complete and publish business case for Livestock Partnership Programme (LPP).
MET: Regular LPP Industry meetings took place through the year and work was begun with Defra to identify the best way forward in terms of solutions to issues in livestock location and movement. Industry-owned proposition specification issued and a request for information process has been initiated. The final selection of candidates is being undertaken.

TARGET: Draw up and publish a plan of work for the Livestock Partnership Programme so that stakeholders have a clear view of the proposed work.
NOT MET: Work to meet this target has been delayed pending Defra's review of what needs to be delivered and by whom. Further work is being carried forward by the County Parish Holding (CPH) programme to enable a final decision to be made, at which point a final plan of work will be published.

TARGET: Develop and assess options for the implementation of simplified animal movement regimes based on improved locations information.
MET: High-level impacts and options assessment completed. High-level requirements and design proposals completed and fed into Livestock IS Review.

TARGET: Develop revised framework and national indicator arrangements with local authorities.
MET: Framework agreement and obligatory national indicator 190 came into effect 1 April 2009.

TARGET: Implement our Future Leadership Scheme and identify key gaps.
MET IN PART: Development of current scheme members planned until September 2009. Current programme being evaluated prior to recruitment of second intake.

TARGET: Conduct a review of training and development programmes for field staff.

MET IN PART: A training strategy and steering group have been developed and implemented. A number of training events have been held, although some events (mainly epidemiology and enforcement training) have been delayed by organisational restructure and other priority work.

TARGET: Implement management/business skills and leadership programme for Divisional Veterinary Managers and other business managers.

MET IN PART: A programme has been designed and partly implemented. Due to organisational restructure, the final part of the programme has been postponed.

TARGET: Measure levels of employee engagement across the agency.

MET: Employee engagement survey conducted and a plan of action to address engagement issues has been devised and is being implemented.

Customer priority indicators

TARGET: Produce a quarterly summary of the number of days that premises are under bTB restriction, broken down into England, Scotland and Wales areas (breakdowns).

MET: Report produced. Food and Farming Group (FFG) confirms information is provided by the Veterinary Laboratories Agency (VLA) and is not required to be duplicated.

TARGET: Produce a quarterly summary of the number of days that premises are under bTB restriction, broken down into England, Scotland and Wales areas (overdue tests).

MET: Report produced. FFG confirms information is provided by VLA and is not required to be duplicated.

TARGET: To ensure that tracing action is completed within nine weeks from the date of confirmation for 80% of all 'at risk' animals/herds, giving priority to movements from high to low risk areas.

MET: 81.1% achieved across Great Britain by the end of the year.

TARGET: Review and agree appropriate measures for the removal of bTB reactors from affected herds in Wales, England and Scotland.

MET IN PART: The agreed measures were delayed due to on-going engagement with three policy administrations. The dependency on agreement across the whole of Great Britain was outside Animal Health's direct control. This target was agreed at the Animal Health Strategic Advisory Board on 27 March 2009 and will be applied across Great Britain from 1 April 2009.

TARGET: To ensure that satisfactory blood samples are collected from 95% of animals eligible for compulsory gamma interferon tests (inconclusive reactors in one or two-yearly testing parishes).

MET IN PART: Target comprises two parts. Part A was assessed as green and Part B as amber at the end of the year.

TARGET: To ensure that satisfactory blood samples are collected from 95% of animals eligible for compulsory gamma interferon tests (confirmed breakdowns in three or four-yearly testing parishes).

NOT MET: Target narrowly missed by 0.4%.

TARGET: Work with bTB policy teams in England, Wales and Scotland to agree a bTB communications strategy and implementation plan.

MET: A draft TB communications strategy has been developed. A modified draft has been signed off as part of the service level agreement with the Welsh Assembly Government. Work to develop the strategy in England has been taken into the bTB Eradication Group and will be considered as part of their work in due course. Keeping bTB out of Scotland is a Scottish Government aim.

TARGET: Plan and develop the tracing module of the BRP system to enable rapid tracing of byproducts as well as live animals in the management of both outbreaks and endemic disease.

NO ASSESSMENT MADE: The scope of the module is under consideration. The target was removed at the Animal Health Strategic Advisory Board in March 2009.

TARGET: Work with policy teams to agree an approach to implementation of new National Control Plans for endemic disease.

MET: Numerous on-going meetings held with both policy departments and industry.

TARGET: Ensure that in cases where unnecessary pain or distress is disclosed ('D' scores), the average time for appropriate action by the agency to have taken place is no more than 21 days.

MET: Average time is nine days.

TARGET: Work with policy teams to develop and implement a risk-based approach to animal by-product visits.

MET: Enhanced risk criteria for animal by-product visits have been developed and embedded into operational instructions. Specific performance targets have been set to ensure requirements are met in the field.

TARGET: Animal Health corporate centre and divisional offices to meet 90% of the agreed standards of readiness and resilience, as set out in the Emergency Readiness and Resilience Management Assurance Scheme (ERMAS), to ensure that the Agency and partners are prepared to manage outbreaks as effectively as possible.

MET: ERMAS assessment of AHDOs completed and target achieved. Assessment of corporate centre delayed into 2009-10 by organisational restructure.

TARGET: Develop and implement a process to ensure accurate and comprehensive completion of the EXD40 report form (veterinary inquiry).

MET: A business process has been implemented which initiates a Divisional Veterinary Manager brief of Veterinary Officers completing a report case investigation. Ongoing auditing by Divisional Veterinary Managers, Regional Veterinary Leads and Vet Services Team introduced.

TARGET: Complete allocated cross-compliance inspections in line with our service level agreement to enable Great Britain payment agencies to meet their Single Payment Scheme deadlines.

MET: Target runs for calendar year and was completed in December 2008.

5 Governance and the Remuneration Report

Animal Health provides agreed public health, animal health and welfare services for Defra in England, for the Scottish Government, for the Welsh Assembly Government and for the Food Standards Agency in accordance with relevant legislation and European Union directives and regulations. The agency is financed primarily by Defra and the Secretary of State for Defra is answerable for Animal Health to Parliament.

Strategic Advisory Board

Animal Health's work is overseen by a Strategic Advisory Board. It meets quarterly and consists of

Animal Health's Chief Executive, senior officials from Defra, the Scottish Government, the Welsh Assembly Government and a non-executive director.



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The river Afon Disgynfa falls for 240ft (73m) to form the Pistyll Rhaeadr in Powys

The Strategic Advisory Board advises the Secretary of State and ministers in the Scottish Government and the Welsh Assembly Government on policy and operational matters relating to Animal Health and monitors the performance, efficiency and financial and managerial regularity of the agency.

The Strategic Advisory Board recommends to ministers the strategic direction the agency should follow within the context of wider departmental and governmental objectives. The Board met regularly during 2008-09 to agree strategic direction, monitor activity and progress and to

provide support and assistance to the agency

Executive Board

Animal Health's Executive Board's principal responsibilities are to formulate the strategic direction for the agency, to set this out in its Corporate and Business Plans agreed with policy customers, to control and monitor performance and delivery in accordance with these plans and to identify and manage corporate risks. During the year, the Executive Board met regularly to review and decide upon strategy and policy and to monitor, evaluate and drive performance.

The directors who served on the Executive Board during 2008-09 were:

Members of the Executive Board at 31 March 2009

Catherine Brown	Chief Operating Officer and from 16 July 2008, Chief Executive
Richard Bowen	Human Resources Director
Andy Foxcroft	Field Services Director (member of Board from 16 July 2008)
Rob Paul	Director of Veterinary and Technical Services
Julie Pierce	Director of Information Management and Technology (member of Board from 1 November 2008)
David Robson	Finance Director
Tony Foster	Non-Executive Director

The following were members of the Executive Board for part of 2008-09

Steve Edwards	Interim Chief Executive, until 16 July 2008
Ann Nolan	Transformation Director, until 27 November 2008

Audit and Risk Committee Non-Executive Directors

Philip Riley	Committee chair to 1 November 2008
Tony Foster	Committee chair from 1 November 2008

No member of the Executive Board holds company directorships, nor has other significant interests that may conflict with their management responsibilities in Animal Health.

Risk management

Risks are assessed by each cost centre and major project and the Executive Board considers these and assesses corporate risks. The Audit and Risk Committee has continued to review the adequacy of the agency's risk management processes during the year.

Internal and external audit

For the year ended 31 March 2009, Animal Health's planned programme of internal audit work was completed and has informed the Statement on Internal Control. The agency's Framework Document, reflecting the Government Resources and Accounts Act 2000, lays down that external audit is to be provided by the National Audit Office.

Both Internal and External Audit regularly attend the Audit and Risk Committee's meetings.

As Accounting Officer, I have taken all reasonable steps to make myself aware of information relevant to the external audit and to establish that our auditors are aware of that information. As far as both I and members of the Executive Board are aware, there is no relevant audit information that has not been brought to the National Audit Office's attention.

REMUNERATION REPORT

Remuneration policy

Defra's Senior Civil Service Pay Committee, chaired by the Permanent Secretary, determines the remuneration and performance conditions of Animal Health's Executive 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 the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the Government's departmental expenditure limits
- the Government's inflation target.



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

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 Catherine Brown, Richard Bowen and Julie Pierce, the Executive Board members at 31 March 2009 hold open-ended appointments until they reach normal retirement age. The employment of the Chief Executive and of the other Animal Health Executive 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.

Animal Health's Chief Executive on 1 April 2008 was Steve Edwards, appointed as interim Chief Executive on 10 March 2008 on his retirement from the

Veterinary Laboratories Agency. He resigned on 16 July 2008 following Catherine Brown's appointment as Chief Executive on a three-year fixed-term contract commencing on this date.

Richard Bowen was appointed to the role of HR Director on a three-year fixed-term contract commencing on 2 January 2006. The contract has been extended to 1 January 2010 and is extendable for a further year or may be made permanent.

Andy Foxcroft joined the Executive Board on 16 July 2008 in his role as Field Services Director.

Tony Foster continued in his role as Non-Executive Director for the Executive Board.

Julie Pierce was appointed Information Management and Technology Director on 1 November 2008 on an interim basis. In the period to 31 March 2009, the cost of her interim contract was £113,895. The amount disclosed in the table below comprises the amount paid to her by the employment agency providing her services. She did not receive any non-cash or pension benefits from Animal Health.

Ann Nolan, Transformation Director to 27 November 2008, commenced an 11-month secondment through Defra on 6 January 2009.

Emoluments and pension entitlements (audited)

The emoluments and pension entitlements of the Corporate Management Team and Executive Board members in 2008-09 were as follows (2007-08 in italics):

	Emoluments Banding	Real increase in pension and lump sum at age 60	Total accrued pension benefits at age 60 at 31 March 2009	CETV at 31 March 2008	CETV at 31 March 2009	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000
DIRECTORS ON THE EXECUTIVE BOARD AT 31 MARCH 2009						
Catherine Brown Chief Operating Officer and from 16 July 2008, Chief Executive	125-130 <i>(40-45. Full year equivalent 85-90)</i>	2.5-5.0	2.5-5.0	9	33	19
Richard Bowen HR Director	95-100 <i>(95-100)</i>	0-2.5	5.0-7.5	101	119	6
Andy Foxcroft Field Services Director from 16 July 2008	45-50 Full year equivalent 65-70 <i>(0)</i>	0-2.5	0-2.5	0	24	16
Rob Paul Director of Veterinary and Technical Services	85-90 <i>(80-85)</i>	0-2.5	30.0-32.5	399	452	12
Julie Pierce Director of Information Management and Technology from 1 November 2008	95-100 Full year equivalent 230-235 <i>(0)</i>	N/A	N/A	N/A	N/A	N/A
David Robson Finance Director	90-95 <i>(90-95)</i>	0-2.5	17.5-20.0	305	350	5
Tony Foster Non-Executive Director	15-20 <i>(10-15. Full year equivalent 15-20)</i>	N/A	N/A	N/A	N/A	N/A

	Emoluments Banding	Real increase in pension and lump sum at age 60	Total accrued pension benefits at age 60 at 31 March 2009	CETV at 31 March 2008	CETV at 31 March 2009	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000
DIRECTORS DURING 2008-09						
Steve Edwards Interim Chief Executive to 16 July 2008	35-40 Full year equivalent 105-110 (5-10. Full year equivalent 95-100)	0-2.5 plus 2.5-5.0 lump sum	32.5-35.0 plus 97.5-100.0 lump sum	728	777	29
Ann Nolan Transformation Director to 27 November 2008	55-60 Full year equivalent 80-85 (80-85)	0-2.5 plus 2.5-5.0 lump sum	30.0-32.5 plus 90.0-92.5 lump sum	486	551	20
AUDIT AND RISK COMMITTEE						
Tony Foster Non-Executive Director Chair of the Audit and Risk Committee from 1 November 2008	0-5 Full year equivalent 0-5 (0)	N/A	N/A	N/A	N/A	N/A
Philip Riley Non-Executive Director Chair of the Audit and Risk Committee to 1 November 2008	5-10 Full year equivalent 10-15 (20-25)	N/A	N/A	N/A	N/A	N/A

Emoluments include gross salary, bonuses and other allowances to the extent that they are subject to United Kingdom taxation.

Due to a pensions revaluation by the Cabinet Office during the year, the Cash Equivalent Transfer Value (CETV) as at 31 March 2008 shown in the above table differs from that included within the Remuneration Report for 2007-08 to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

Although the costs for the Chief Executive and members of the Executive Board are included in Animal Health's Statement of Accounts, they are formally employed by Defra, Animal Health's parent department.

Under arrangements made by Defra, Richard Bowen received £8,212 Additional Housing Cost Allowance in 2008-09, which is included in his emoluments reported above (2007-08 £9,403). He also received an advance on salary of £12,500 from Defra on his appointment in 2005-06 which is repayable from January 2010 over eight years. The benefit from this loan for 2008-09 has been estimated at £200 (for 2007-08 this value was £200).

Loans may be made to staff to cover season ticket advances and relocation. As at 31 March 2009, there were no outstanding loans to Executive Board members (2007-08 nil).

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

The pension information for each member of the Executive 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 Animal Health. All funding to finance the deferred remuneration the accrued pension benefits represent is paid to the Treasury. Further information on these pension schemes is provided in Note 5 in the Statement of Accounts.

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



Catherine Brown, Chief Executive 19 May 2009



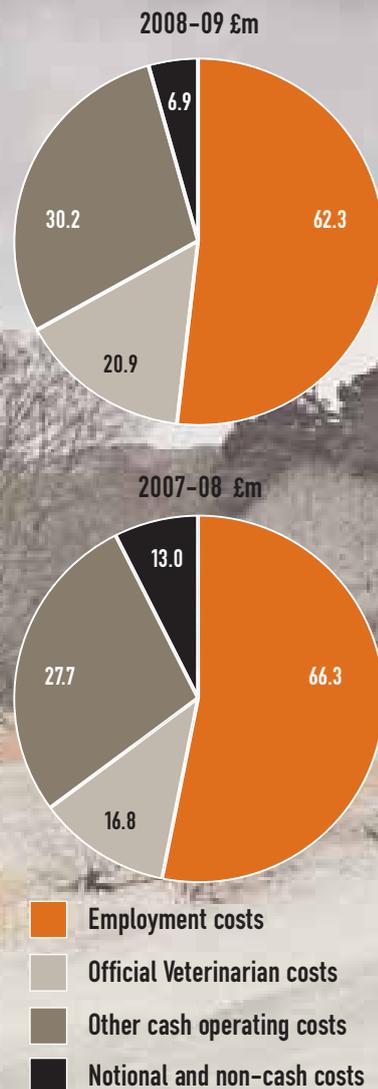
6 Financial review

Animal Health's Statement of Accounts reports the results for the year 1 April 2008 to 31 March 2009. It is prepared on an accruals basis in accordance with Section 7(2) of the Government Resources and Accounts Act 2000, the Accounts Direction issued by HM Treasury and the *Financial Reporting Manual (FReM)*, published by HM Treasury.

The Statement of Accounts for the year ended 31 March 2009 is set out in Section 8. Animal Health follows Defra's accounting policies where appropriate to Animal Health's own activities, to simplify the preparation of Defra's Consolidated Account.

In accordance with FRS6, *Acquisitions and Mergers*, the 2008-09 Statement of Accounts restates the 2007-08 costs to include the comparative costs of the Great Britain Poultry Register, transmissible spongiform encephalopathy and zoonotics

Chart 1 Operating costs



Stormy skies over Langdale
Pike in the Lake District

© iStockphoto.com/kevin Eaves

responsibilities that were transferred from Defra to Animal Health on 1 April 2008.

Animal Health's Net Operating Costs in 2008-09 of £116.5m were £4.7m less than in 2007-08. Excluding the additional costs incurred in 2007-08 for the outbreaks of avian influenza and foot and mouth disease however, Animal Health's underlying operating costs increased by £10.0m reflecting increases in activity volumes, changes of policy and further development of the agency's Business Reform Programme. The cost of the avian influenza outbreak in 2008-09 and of bluetongue were offset by

a robust verification of costs claimed by suppliers during the disease outbreaks in 2007-08. In addition, certain outbreak costs are eligible for co-funding by the European Union and during 2008-09 Animal Health obtained £1.2m on behalf of Defra for claims relating to the 2006-07 Newcastle disease and avian influenza outbreaks and the 2007-08 avian influenza outbreak. There is a long financial tail and administrative burden following an outbreak and claims for co-funding of the 2007-08 outbreaks are expected to be resolved in 2009-10. Monies received from the European Union are paid to Defra and are accounted for in Defra's Statement of Accounts.

Animal Health's operating costs are predominantly people related, with employment costs constituting £62.3m (51.8%) of 2008-09 expenditure and Official Veterinarian costs constituting £20.9m (17.4%) of expenditure. Other operating costs of £37.1m include expenditure of £15.5m or 12.9% of expenditure for all other operating costs paid in cash, including further development work on the Business Reform and Livestock Programmes. Hard charges from Defra for accommodation and other corporate services that were notionally charged in previous years, constituted £14.7m (12.2%) of 2008-09 expenditure, while notional and non-cash costs amounted to the remaining £6.9m (5.7%).

Official Veterinarian costs have increased due to the amount of bTB testing increasing in the year to 31 March 2009, along with the reversal of an over-accrual of £2.2m during 2007-08, arising due to the complexities of the legacy IT system that provides this, which have since been resolved.

Prior to 1 April 2008, Animal Health received a notional charge from Defra for all services provided centrally. However, from this date these costs were 'hard charged' by Defra on a full-cost basis. This has resulted in an increase to these charges set by Defra, which also provides the cash to fund them.

The agency continues to seek improvements in effectiveness, efficiency and economy and efficiencies of £3.6m were generated during the year as a result of the introduction of the first operational modules of the BRP, the centralisation of certain central functions and overall improvements in the delivery of services to both external and internal customers. This relates to an efficiency target of 3% that was introduced by HM Treasury through the current Comprehensive Spending Review period and adjusted in funding provided to the agency before budget delegation.

Although expenditure has been managed within the agreed available resources, the accounting policy for how funding is recognised for statutory accounts purposes followed by Defra (and by other central government departments) results in the Balance Sheet showing net current liabilities of £15.4m (2007-08 restated £18.9m).

This occurs because the accounting policy followed by central government departments accounts for expenditure on an accruals basis but funding on a cash

basis in accordance with the Net Cash Requirement voted by Parliament – rather than in accordance with the resources voted by Parliament. The effect of this policy is that although the commitments entered into during the year were in line with available resources, the difference between the available resources and the cash required in the year is not treated as an asset to finance the creditors or provisions at the year-end, and therefore a 'deficit' results as noted above. As the Government Resources and Accounts Act 2000 states that cash is not to be held in advance of need, cash to fund the creditors and provisions in Animal Health's Balance Sheet as at 31 March 2009 will be provided by Defra during 2009-10 when they become due for payment. Given this undertaking by Defra, it is considered appropriate to prepare the Statement of Accounts on a going concern basis.

In paying creditors, Animal Health aims to follow the principles of the Better Payment Practice Code in compliance with the Public Sector Payment Policy. Until December 2008, the agency aimed to pay suppliers in accordance with its standard contractual payment terms (within 30 days of invoice date) or with suppliers' standard terms (if specific terms have not been negotiated), provided that the relevant invoice was properly presented and was not subject to dispute. In December 2008, the Government's initiative to pay suppliers within 10 working days of submitting a properly-presented and non-disputed invoice was implemented and in the last quarter of 2008-09 Animal Health has paid 99.9% of all such invoices within this reduced period.

	Contractual 2008-09		10-day since 1 January 2009	
	£'000	Number	£'000	Number
Total invoices paid in period	41,694	13,831	11,063	3,850
Total invoices paid within target	38,725	13,512	11,052	3,847
Percentage of invoices paid within target	92.9%	97.7%	99.9%	99.9%

No interest was paid in respect of the Late Payment of Commercial Debts (Interest) Act 1998 (2006-07 £nil).

No research and development work was undertaken and no charitable donations were made in the year ended 31 March 2009.

Animal Health's Balance Sheet shows that the main assets of the agency are Tangible Fixed Assets. Of this value, 94.1% relates to internally-generated software assets and this is expected to increase in future years as further modules of BRP are constructed and released.

Animal Health's IT infrastructure and IT hardware are provided by Defra through IBM, with whom Defra has entered into a strategic partnership. Similarly, with the exception of one small building and in Scotland where the Scottish Government provides Animal Health with accommodation, all accommodation used by Animal Health is either owned by, or leased through, Defra.

In preparing the Statement of Accounts for the year ended 31 March 2009, the principal judgements required have centred upon assessing the levels of accruals for work done but not invoiced, assessing the reasonableness of the hard charges made by Defra for corporate services provided and assessing the provisions at the year end.

Expenditure by country and by activity

The Statement of Accounts reports the results for the financial year in the structured manner required by UK GAAP, HM Treasury's FRm and their respective disclosure requirements. The Statement of Accounts does not show where resources were spent, or on what activity.

Table 4 shows how much of the reported net expenditure was spent in England, Scotland and Wales and in cost centres that cover the whole of Great Britain. Given the wide risks this expenditure seeks to mitigate, the variety and variability of activity undertaken, and the agency's remit, costs which are

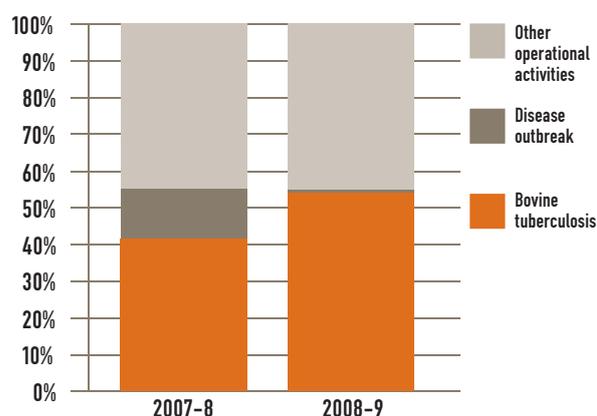
incurred for the benefit of the whole of Great Britain cannot be readily allocated between jurisdictions.

The increase in costs attributable to Animal Health Divisional Offices in 2008-09 reflects the reversal of the recording of staff and other costs in 2007-08 as disease eradication costs during the avian influenza and foot and mouth disease outbreaks in that year. The increase in IT and systems development costs is primarily due to ongoing work on the Business Reform Programme.

Prior to 1 April 2008, Animal Health received a notional charge from Defra for all services provided centrally. From 1 April 2008, these costs were 'hard charged' by Defra. This change has resulted in increases to the charges following a review of cost allocations and a revision to where these are shown within Table 4. These charges are set by Defra, which also provides the cash to fund them.

Chart 2 shows Animal Health's operational expenditure profile for the last two financial years.

Chart 2 Operational expenditure profile



The year-on-year changes as a result of the disease outbreaks in 2007-08 illustrate how reactive much of the agency's work is. As a direct consequence of this, the ability to predict and manage demand is limited. This makes the agency reactive to changes in work focus and dependent upon the particular priorities at a given moment in time.

The figures included within Section 8 have been prepared in accordance with the 2008-09 FRm. From 1 April 2009, all Government bodies are required to prepare Statements of Accounts in accordance with International Financial Reporting Standards. The adoption of these will see the reported 2008-09 figures restated in 2009-10 in accordance with these new reporting standards.

Table 4 Net expenditure by country

	2008-09 £m	2007-08 Restated £m
Animal Health Divisional Offices		
England	53.7	48.3
Scotland 8.3		7.9
Wales	11.9	9.6
	73.9	65.8
Great Britain wide operational activities		
Contingency planning	3.2	2.8
Disease eradication	-0.1	14.6
International trade	1.5	1.6
National scrapie unit	1.1	1.7
	5.7	20.7
Great Britain wide developmental activities		
IT and systems development	18.6	11.2
Corporate Office	8.6	7.4
Workforce strategy and development	2.8	3.1
	30.0	21.7
Allocated costs		
Notional charges	0.6	9.5
Non-cash charges	6.3	3.5
	6.9	13.0
Total	116.5	121.2

»» Our strategy (is) designed to ensure that we continue to improve our record of success in supporting our policy and end-user customers.
CATHERINE BROWN,
CHIEF EXECUTIVE



7 Plans and priorities

Animal Health's strategic objectives and approach are detailed in the *Business and Corporate Plan 2009-2012*⁴, published in June 2009.

This document covers our intentions and activities for the financial year 2009-10 and, alongside this, our longer-term ambitions for 2010-2012. It reflects the strategic themes discussed previously in Section 3, which have been agreed as the basis for our ongoing development.

Expert in delivery

To be recognised as the leading authority in our field, able to provide authoritative advice to our policy customers, requires us to enhance our consistency, effectiveness and efficiency.

⁴ Available at: www.defra.gov.uk/animalhealth/publications/index.htm



The native New Forest pony has been recorded since 1016

Priorities detailed under this theme are:

- further implementation of the Business Reform Programme, specifically document management and bTB work management in 2009-10, moving on to tracings in 2010-11
- ongoing professional development of our staff, new training and appraisal systems
- organisational enhancement including further centralisation, the implementation of our Target Operational Model
- ongoing enhancements to our Operations Manual

through to 2012 as part of a new Quality Framework

- improvements in appointments and provision of training for Official Veterinarians.

Working with policy customers in Scotland, Wales and England

This theme focuses on the need for us to be responsive to the priorities of our policy customers in Defra, the Scottish Government and the Welsh Assembly Government, confirming us as the provider of choice across Great Britain.

The following priorities are identified:

- developing our relationship with our national policy customers and showing how our work supports and delivers their strategic priorities
- responding to the changing disease situation with the increase in avian influenza and bluetongue, underlining the need for a body able to respond nationally
- emergency preparedness and contingency planning, including the national exercise planned for 2010, involving national and local government, and our delivery partners
- ongoing strategic focus to 2012, including responsibility and cost sharing, the SEARS partnership and bTB eradication in Wales.
- encroachment of the disease into Scotland
- our involvement organising the European Commission's Food and Veterinary Office missions with other Agencies
- working with industry on long-term initiatives toward new models for the recording of land, animals and movements
- working to improve on delivery arrangements with Official Veterinarians under the Official Veterinarian Reform Programme
- new Animal Health and Welfare framework with local authorities in England and Wales
- ensuring we are fully prepared for our involvement in licensing equines arriving in the UK to participate in the 2012 London Olympic Games.

Influencing the behaviours of end-user customers

Fundamental to influencing our end-user customer groups is an understanding of their different perspectives and needs, and having the ability to issue relevant and accessible guidance and ensuring effective enforcement where appropriate.

Specific measures identified are:

- implement required changes identified following our first customer insight research
- we will establish some focus groups with key end-user customer segments, including businesses involved in the use of animal by-products and users of the Pet Travel Scheme
- implement the transfer of responsibility for the provision of advice and guidance from Defra
- developments in enforcement – including the establishment of a new central function engaging with all aspects of policy and delivery, new enforcement training and working with enforcement partners such as local authorities.

Working effectively with others

We need to expand our ability to work in partnership with a number of other bodies to deliver effective solutions. These include other agencies, enforcement partners and professional bodies.

Our priority work areas include:

- working on bTB, including our involvement in the bTB Advisory Group, delivery of the *One Wales* bTB Eradication Programme and our work with the Scottish Government in preventing the

Individually, these objectives are stretching; together, they are extremely challenging. In seeking to achieve them, we need to be alert to changes in our operating environment; in farming practice and the implications this has for disease prevention and control activity; in veterinary practices which currently work with livestock; the development of the responsibility and cost-sharing agenda with livestock keepers and the livestock industry; and developments in animal health and welfare policy in Scotland, Wales and England.

It is possible that a number of factors which cannot be accurately forecast could significantly affect our ability to achieve these objectives and the resources required to achieve them. Not the least of these would be a large outbreak of an exotic notifiable disease.

Other key risks to achieving these objectives include potential changes resulting from the responsibility and cost-sharing programme in England and changes in the animal health and welfare delivery landscape.

Our main cost drivers for 2009-10 and future years remain those of previous years, namely changes in work volumes and new or changed policies, the need to develop our capability and capacity and pressures arising from legislation and other related requirements not specifically related to animal health and welfare.

For 2009-10, our initial cash resource allocation for current expenditure is £137.9m and a further £10.7m is allocated for capital expenditure. This may be revised during the year as work and responsibility is transferred to the agency.



8 Statement of Accounts

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Animal Health to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Animal Health and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis



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- 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, unless it is inappropriate to presume that the agency will continue in operation.

The Accounting Officer of Defra has designated the Chief Executive of Animal Health as Accounting Officer for the agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Animal Health's assets, are set out in *Managing Public Money*, published by HM Treasury.

Catherine
Brown

Catherine Brown, Chief Executive 19 May 2009

Statement on Internal Control

SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the objectives and goals of Animal Health, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

This Statement on Internal Control describes the systems in place from 1 April 2008 to 31 March 2009. I was appointed Chief Executive and Accounting Officer of Animal Health on 16 July 2008 and for the period before I was appointed have taken assurance from an interim Statement on Internal Control signed by my predecessor.

The purpose of the system of internal control

Animal Health's system of internal control is designed to manage rather than eliminate risk and it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of Animal Health's objectives and goals
- evaluate the likelihood of these risks being realised and their impact should they be realised
- manage these risks effectively, efficiently and economically.

Capacity to handle risk

The agency exists to mitigate the risk to the economy and public health of notifiable animal disease. Veterinary risks are primarily addressed through the policies the agency executes and by the operating procedures by which they are delivered.

Organisational and corporate risks that can affect the agency's ability to deliver its remit are assessed by the agency's Executive Board. During 2008-09, these included risks associated with business change, changes in the animal health and welfare delivery landscape, delivery of strategic IT, dependencies on partners to enable the agency to deliver its objectives and goals and the agency's limited capacity – rather than its capability – to respond to outbreaks of animal disease. In addition to considering these risks individually, the Executive Board also considers their potential cumulative impact. Their potential impact, together with, in some instances, their likelihood of occurring, is increased as a result of Animal Health's geographic dispersion and, until the agency's strategic IT solution is fully implemented, its heavy dependence on paper-based administrative systems.

The Audit and Risk Committee has continued to review the adequacy of the agency's risk-management processes during the year.

The risk and control framework

Animal Health's system of internal control has continued to develop during the financial year in line with the agency's development and in accordance with HM Treasury guidance. This has included activity in the following key areas:

GOVERNANCE, STRATEGY AND PLANNING

The Annual Report reports on Animal Health's vision, mission and strategic objectives set out in its 2008-09 Corporate and Business Plan.

During the year, the Executive Board has continued to focus on decision-making, strategic planning and corporate risk management, while reviewing the agency's governance, strategy, organisational structure and planning arrangements to enable the agency to respond better to anticipated changes in the environment in which the agency operates. These changes took effect from 1 April 2009.

PERFORMANCE MANAGEMENT

Measures to assess performance against agreed targets have continued to be developed during the year, as have the processes to collect information on a consistent basis to inform these measures. The information collected is reviewed monthly by the Operations Management Team, the Executive Board and Defra. These reviews drive operational activity and inform discussions with stakeholders regarding the effectiveness of existing policies.

The processes to collect information continued to be highly labour intensive during the year and this limits the flexibility and responsiveness of current operational management information and the use that can be made of it to drive performance. The implementation during 2008-09 of the first operational module of the agency's Business Reform Programme and subsequent work to develop IT-driven management information systems, are expected to result in major advances in 2009-10.

Despite the difficulties caused by the inadequacies of current management information, considerable effort has been made to establish an increasingly-consistent level of service across the agency and this is, in turn, enabling increasing attention to be paid to quality assurance. Further attention will be paid to this in 2009-10 and in future years.

DATA RISK MANAGEMENT

Animal Health reported no protected personal data-related incidents to the Information Commissioner's Office in 2008-09 and there were no other protected personal data-related incidents.

As set out in Cabinet Office guidance, incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded from this report on data risk management in accordance with the exemptions contained in the Freedom of Information Act 2000, or may be subject to the limitations of other UK information legislation.

PROJECT AND PROGRAMME MANAGEMENT

Animal Health's Business Reform Programme falls within the scope of the Office of Government Commerce's (OGC's) Project and Programme Management controls. During 2008-09, the programme's first operational module successfully passed through the OGC's pre-implementation gateway review and the second operational module (to be implemented in the first quarter of 2009-10) successfully passed through the earlier gateway reviews.

MANAGEMENT OF CHANGE

Animal Health has continued to change and develop during 2008-09 to respond to changes in its environment. While no one set of rules exists for ensuring change successfully achieves the intended objectives, experience highlights a number of factors which assist successful change – as well as a number

of factors which inhibit change – and attention has continued to be given to these during the year. These factors include: having a clear strategy; managing risk; consultation; communication and leadership; involving capable staff; planning; reviewing progress and revising as required. Attention to these factors will continue to be vital in 2009-10.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of its effectiveness is informed by:

- the framework established for Animal Health's accountability with Defra, the Scottish Government and the Welsh Assembly Government
- quarterly reporting to the agency's Strategic Advisory Board which oversees Animal Health on behalf of the Secretary of State for the Environment, Food and Rural Affairs, Defra's Accounting Officer, the Scottish Government and the Welsh Assembly Government, and by regular meetings with Defra, the Scottish Government and the Welsh Assembly Government
- meetings of the Executive Board to review Animal Health's strategic direction and risks, and performance against the agency's objectives and goals
- the work of the agency's managers and staff who have responsibility for developing, supporting and operating within the internal control framework
- risk management arrangements under which key risks that could affect achievement of Animal Health's objectives and goals are actively managed
- stewardship reporting through which each Animal Health Divisional Office and other business units reports on risk and compliance with the internal control framework
- assurance provided by Defra's Shared Services Directorate on the accuracy, completeness and security of the data the directorate transacts on behalf of Animal Health
- the work of the Audit and Risk Committee which monitors the system of internal control
- the results of the work of the External Auditors
- reports by Internal Audit, prepared in accordance with Government Internal Audit Standards, which include its independent opinion on the adequacy and effectiveness of the agency's internal controls together with recommendations for improvement where necessary. Internal Audit has furnished a number of reports in the year which have provided opinions on assurance regarding the adequacy of the controls considered.

Both internal and external audits provide a service to Animal Health by assisting with the continual improvement of processes and controls. Actions are agreed in response to recommendations made and these are followed up to ensure they are implemented.

Having been advised by the Executive Board, by the Audit and Risk Committee and by an interim Statement of Internal Control signed by my predecessor Professor Steve Edwards covering the period before I took up my post, I am able to report that there were no material weaknesses in the system of internal control which affected the achievement of Animal Health's objective or goals during the year.

During 2009-10, Animal Health will continue to develop its system of internal control through continual improvement, responding to evolving best practice and changes in its business environment to ensure that the new governance and organisational structure meets the anticipated changes in the environment in which the agency operates.



Catherine Brown, Chief Executive 19 May 2009

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Animal Health for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE AGENCY, THE CHIEF EXECUTIVE AND AUDITOR

The agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises "Performance against targets", the "Executive Board", the "Environmental Impact" and the "Financial Review" is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes an examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

OPINIONS

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the agency's affairs as at 31 March 2009 and of the net operating cost, recognised gains and losses and cash flows for the year then ended
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000
- information which comprises "Performance against targets", the "Executive Board", the "Environmental Impact" and the "Financial Review", included within the Annual Report, is consistent with the financial statements.

OPINION ON REGULARITY

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

REPORT

I have no observations to make on these financial statements.

TJ Burr, Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

29 May 2009

Operating cost statement

For the year ended 31 March 2009

	Note	2008-09 £'000	2007-08 Restated £'000
Employment Costs	5	62,293	66,302
Official Veterinarian Costs	6	20,953	16,774
Other Operating Costs	7	37,072	40,680
		<u>120,318</u>	<u>123,756</u>
Income			
Cost Recoveries	4	3,857	3,537
Less Surrendered to Defra	4	—	(992)
		<u>3,857</u>	<u>2,545</u>
Net Operating Costs	20	<u>116,461</u>	<u>121,211</u>

In accordance with FRS6, *Acquisitions and Mergers*, the results for 2007-08 have been restated following the mergers referred to in Note 25.

All income and expenditure is derived from continuing operations.

The notes on pages 66 to 83 form part of these accounts.

Balance sheet

As at 31 March 2009

	Note	31 March 2009		31 March 2008 Restated	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	10		46,289		32,520
Intangible Assets	11		44		47
			<u>46,333</u>		<u>32,567</u>
Current Assets					
Stock	13	238		183	
Debtors	14	4,191		7,785	
Cash at Bank	15	1,588		14	
			<u>6,017</u>	<u>7,982</u>	
Creditors due within one year	16		(21,415)		(26,861)
Net Current Liabilities			<u>(15,398)</u>		<u>(18,879)</u>
Total Assets less Current Liabilities			30,935		13,688
Provisions for Liabilities and Charges	17		(298)		(1,107)
			<u>30,637</u>		<u>12,581</u>
Taxpayers' Equity					
General Fund	18		30,250		11,937
Revaluation Reserve	19		387		644
			<u>30,637</u>		<u>12,581</u>

In accordance with FRS6, *Acquisitions and Mergers*, the Balance Sheet for 2007-08 has been restated following the transfer of functions referred to in Note 25.

The notes on pages 66 to 83 form part of these accounts.



Catherine Brown, Chief Executive 19 May 2009

Cashflow statement**For the year ended 31 March 2009**

	Note	2008-09 £'000	2007-08 Restated £'000
Net Cash Outflow from Operating Activities	20	(105,026)	(114,995)
Capital Expenditure	20	(22,414)	(15,494)
		(127,440)	(130,489)
Net Cash requirement received from Defra		133,297	123,229
Increase/(Decrease) in Cash	20	5,857	(7,260)

Statement of recognised gains and losses**For the year ended 31 March 2009**

	Note	2008-09 £'000	2007-08 £'000
Net (Loss)/Gain on Revaluation of Tangible Fixed Assets	19	(237)	42

The notes on pages 66 to 83 form part of these accounts.

Notes to the accounts

1 Basis of accounts

These accounts have been prepared on an accruals basis in accordance with the Accounts Direction issued to Animal Health by HM Treasury and in accordance with the 2008-09 *Financial Reporting Manual* (FReM). The accounting policies have been applied consistently and where the FReM permits a choice of accounting policy, Animal Health has followed those adopted by Defra, its parent department.

Animal Health works closely with and through a number of other bodies and people in seeking to achieve its objectives. These include, but are not limited to, Defra, the VLA and other agencies of Government, the Scottish Government and Welsh Assembly Government, Official Veterinarians, local authorities, farmers and other animal keepers. Together, these form extensive delivery chains in which Animal Health plays a part. Animal Health's Statement of Accounts shows the resources received and expended in the financial year and the assets and liabilities for which Animal Health was responsible. Animal Health's Statement of Accounts does not show the full costs of achieving the policy objectives to which it contributes or the costs incurred by the separate entities in the delivery chain which will be reflected in their own Statement of Accounts.

2 Accounting policies

ACCOUNTING CONVENTIONS

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to current costs.

INCOME RECOGNITION

Animal Health is a gross running cost agency. Income received for services in excess of 5% of the revenue budget is surrendered to Defra, which provides the resources to finance the cost of those services. This threshold was not reached in the financial year. Income generated under service level agreements did not form part of the prior year surrender and was retained to fund the activity for which it is paid; previously all other income was surrendered. Income received in lieu of private usage of equipment such as mobile phones is also retained.

Income is credited to the Operating Cost Statement on an accruals basis.

FUNDING RECOGNITION

Animal Health follows Defra's policy which recognises funding as being the Net Cash Requirement voted by Parliament, rather than the delegated proportion of the Department's Expenditure Limit.

TANGIBLE FIXED ASSETS

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

Tangible Fixed Assets are valued at current replacement cost by using appropriate indices provided by the Office for National Statistics. Any upward revaluation is credited to the Revaluation Reserve. A deficit on revaluation is debited to the Operating Cost Statement if the deficit exceeds the balance held for previous revaluations of the relevant asset in the Revaluation Reserve.

Assets in the Course of Construction are not depreciated or revalued until the project concerned is brought into service. Assets in the Course of Construction at 31 March 2009 mainly relate to internally-developed computer software and systems (including capitalisation of contractor costs) on projects costing in excess of £50,000.

INTANGIBLE FIXED ASSETS

Intangible Fixed Assets comprise software licences and are capitalised where the licence period is for more than one year and the cost is greater than £500. Intangible Fixed Assets are valued at historic cost. Software licences are amortised over the term of the licence or their useful economic life, if shorter.

DEPRECIATION AND AMORTISATION

Animal Health has adopted Defra's accounting policy on depreciation and amortisation. All fixed assets are depreciated or amortised to write off their cost or valuation on a straight-line basis over their anticipated useful economic life. Depreciation is not charged on Assets in the Course of Construction. The principal asset lives are in the following ranges:

Furniture and fittings	5 – 30 years
IT hardware and software	2 – 12 years
Office equipment	5 – 11 years
Plant and machinery	5 – 15 years
Scientific equipment	5 – 15 years
Vehicles	4 – 12 years

A full month's depreciation is charged to the Operating Cost Statement in the month following acquisition and in the month of disposal.

STOCK

Stock, which consists of veterinary consumables and contingency stock, is stated at the lower of cost and net realisable value. Animal Health holds a level of contingency stock as part of its preparedness for outbreaks of exotic notifiable animal disease.

FINANCIAL ASSETS AND LIABILITIES

The agency classifies its non-derivative financial assets as loans and receivables. Financial assets and liabilities are recognised at fair value (the transaction price plus any directly attributable transaction costs).

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The agency does not use derivative financial instruments such as interest rate swaps or any other hedging facilities.

VALUE ADDED TAX (VAT)

Animal Health is covered by Defra's VAT registration. Input VAT is generally not recoverable and output VAT generally does not apply, except as specified in the HM Treasury (Contracting Out) Direction and HM Treasury (Taxing) Direction, respectively. Costs are shown inclusive of VAT where applicable.

NOTIONAL AND HARD CHARGES

In previous financial years, Defra notionally charged Animal Health for centrally-provided services. In 2008-09, the majority of the services provided became hard charged. The value of notional and hard charges is determined by Defra. Further details are provided in Note 7.

CAPITAL CHARGE

In accordance with the FReM, a notional non-cash charge for the cost of capital employed in the period is included in the Operating Cost Statement. The charge for the year is calculated using HM Treasury's discount rate of 3.5% applied to the mean value of capital employed during the period (2007-08 3.5%).

PENSIONS

Pension arrangements are described in Note 5 to the accounts. Pension contributions are charged to Operating Expenditure on an accruals basis.

EARLY DEPARTURE COSTS

The funding for these is provided by Defra and Animal Health is required to reflect in its own accounts the provision and future liabilities in respect of employees who have been granted early retirement.

PROVISIONS

In accordance with FRS 12, *Provisions, Contingent Liabilities and Contingent Assets*, Animal Health 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 be required to be settled.

CONTINGENT ASSETS AND LIABILITIES

Material contingent assets and liabilities are disclosed in accordance with FRS 12, *Provisions, Contingent Liabilities and Contingent Assets*.

OPERATING LEASES

Payments made under operating leases are charged to expenditure on an accruals basis.

MERGER ACCOUNTING

In accordance with FRS6, *Acquisitions and Mergers*, the results for 2007-08 have been restated following the transfer from Defra to Animal Health of the assets and responsibility for the Great Britain Poultry Register and transmissible spongiform encephalopathy (see Note 25).

3 Going concern

The Balance Sheet at 31 March 2009 shows Taxpayers Equity of £30,637k (2007-08 £12,581k restated) and Net Current Liabilities of £15,398k (2007-08 £18,879k restated). These net current liabilities arise from the accounting policy followed by central government departments which accounts for expenditure on an accruals basis but funding on a cash basis in accordance with the Net Cash Requirement voted by Parliament – rather than in accordance with the resources voted by Parliament. The effect of this policy is that although the commitments entered into during the year were in line with available resources, the difference between the available resources and the cash required in the year is not treated as an asset to finance the creditors or provisions at the year end. This results in the balance sheet showing net liabilities.

In common with other Government departments and agencies, these liabilities will be settled by future Grants of Supply and the application of future funding, both to be approved annually by Parliament, through Defra. Approval for amounts required for 2009-10 has already been given and there is no reason to believe that future approvals will not be forthcoming. Accordingly, it is considered appropriate to prepare the financial statements on a going concern basis.

4 Income

	2008-09 £'000	2007-08 £'000
Income Received		
Defra	567	533
Defra Family	427	354
Welsh Assembly Government	816	347
Food Standards Agency	1,736	1,766
Other	311	537
	<u>3,857</u>	<u>3,537</u>
Less Income surrendered to Defra	—	(992)
	<u>3,857</u>	<u>2,545</u>

Only income in excess of 5% of the revenue budget is surrendered to Defra. Income generated under service level agreements did not form part of the prior year surrender and was retained to fund the activity for which it was paid; previously all other income was surrendered. Income received includes the following activity where the full cost exceeds £1m. The information below is provided for Fees and Charges purposes, not for the purposes of Statement of Standard Accounting Practice 25.

	2008-09			2007-08		
	Income £'000	Full Cost £'000	Surplus £'000	Income £'000	Full Cost £'000	Surplus £'000
Dairy Hygiene Inspections	1,648	1,491	157	1,646	1,585	61
	<u>1,648</u>	<u>1,491</u>	<u>157</u>	<u>1,646</u>	<u>1,585</u>	<u>61</u>

The income for Dairy Hygiene Inspections was received from the Food Standards Agency under a service level agreement for the inspection of dairies and untreated milk samples.

5 Employment costs**Employment costs comprise:**

	2008-09	2007-08 Restated
	£'000	£'000
Salaries	46,280	49,740
Employer's National Insurance Contributions	3,631	3,890
Employer's Pension Contributions	8,802	8,909
	<u>58,713</u>	<u>62,539</u>
Less: Recoveries for Seconded Staff	—	(71)
	<u>58,713</u>	<u>62,468</u>
Contractor Costs	3,555	3,708
Temporary Veterinary Inspector Costs	25	126
	<u>62,293</u>	<u>66,302</u>

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

In addition to the costs shown above, Contractor Costs of £4.5m (2007-08 £2.2m) have been capitalised. These are included within the additions to IT Equipment and Assets in the Course of Construction shown in Note 10.

Average number of full time equivalent staff

	2008-09	2007-08 Restated
	FTE	FTE
Veterinary Staff	287	287
Technical Staff	270	283
Administrative and Managerial Staff	1,008	1,041
	<u>1,565</u>	<u>1,611</u>

	2008-09	2007-08 Restated
	FTE	FTE
Permanent	1,488	1,488
Fixed Term Contracts	37	86
Casual and Temporary	40	37
	<u>1,565</u>	<u>1,611</u>

The remuneration and emoluments of the Executive Board are set out in the Remuneration Report on page 44.

Pension contributions

Pension benefits are provided through the Principal Civil Service Pension Schemes (PCSPS). Members of staff who were members of the PCSPS before 1 October 2002 may be in one of three statutory defined benefit schemes (Classic, Premium or Classic Plus). Staff who joined the civil service between 1 October 2002 (and staff who joined Animal Health after 1 April 2005) and 29 July 2007 could choose between membership of the Premium scheme or a defined contribution money purchase partnership pension. Staff who joined the civil service on or after 30 July 2007 may choose between membership of the Nuvos scheme or a defined contribution money purchase partnership pension.

Employer and employee PCSPS contributions are paid to the Treasury and PCSPS benefits, which are increased annually in line with changes in the Retail Price Index, are paid by monies voted by Parliament each year. The PCSPS schemes are, therefore, unfunded defined benefit schemes and, as a result of them covering many employers, Animal Health is unable to identify its share of the schemes' underlying assets and liabilities. The schemes are subject to a full valuation every four years. The last full valuation took place on 31 March 2007, further details of which can be found in the Cabinet Office's Civil Superannuation Resource Accounts at www.civilservice-pensions.gov.uk. Copies can also be obtained from the Stationery Office.

For 2008-09, employer contributions of £8,653k were payable to the PCSPS (2007-08 £8,747k restated) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The contribution rates reflect past experience of the scheme and the effect of benefits as they are accrued, not when the costs are actually incurred.

Employee contributions are set at the rate of 1.5% of pensionable earnings for the Classic scheme and 3.5% for the Premium, Classic Plus and Nuvos schemes. Benefits in the Classic scheme accrue at the rate of 1/80 of final pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For the Premium scheme, benefits accrue at the rate of 1/60 of final pensionable salary for each year of service, the difference in the accrual rate replacing the lump sum. Premium scheme members may commute pension to provide a lump sum up to the Classic scheme accrual rate of 1/80. Classic Plus is essentially a variation on the Premium scheme, with benefits in respect of service before 1 October 2002 calculated broadly as the Classic scheme and benefits after 1 October 2002 calculated broadly as the Premium scheme. The Nuvos scheme provides a pension of 2.3% of pensionable earnings each year and members may commute pension to provide a lump sum.

Instead of joining the PCSPS, employees who joined Animal Health on or after 1 April 2005 could opt to join a partnership pension account, or a stakeholder pension, with an employer contribution. Employer contributions for 2008-09 of £149k (2007-08 £162k restated) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% of pensionable pay. No employer contributions (2007-08 £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 retirement of these employees. There is no limit to employee contributions for these schemes.

6 Official Veterinarian costs

	2008-09 £'000	2007-08 £'000
Official Veterinarian Costs in year	20,953	16,774
	<u>20,953</u>	<u>16,774</u>

Official Veterinarians are qualified veterinarians in private practice who undertake work on behalf of Animal Health. The charge against the Operating Costs for the year ended 31 March 2009 is based on activity undertaken by Official Veterinarians and paid for during the financial 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.

Official Veterinarian costs have increased due to the amount of bTB testing increasing in the year to 31 March 2009, along with the reversal of an over-accrual of £2.2m during 2007-08.

7 Other operating costs

	2008-09	2007-08
	£'000	Restated £'000
Operating Costs		
Office Services	3,896	3,918
Accommodation and Utilities	3,385	5,292
Travel and Subsistence	2,985	6,213
IT Costs	2,303	5,496
Training	1,798	997
Veterinary Consumables	656	776
Recruitment	373	301
Disease Eradication Costs	95	4,614
Loss on Disposal of Fixed Assets	3	138
	15,494	27,745
	Hard	Notional
Hard/Notional Charges		
IT Services	9,217	7,086
Accounting and HR Services	2,700	895
Estates Management and Accommodation Services	2,608	1,098
Internal Audit	99	—
Procurement and Contract Services	78	144
Legal Services	6	6
	14,708	9,229
Notional Charges		
Estates Management and Accommodation Services	232	—
Defra Investigation Services	273	144
External Audit	98	85
	603	229
Non-Cash Costs		
Depreciation and Amortisation	4,936	3,237
Current Replacement Cost Adjustment	528	160
Cost of Capital	803	80
	6,267	3,477
	37,072	40,680

Other operating costs for 2007-08 have been restated to take account of depreciation on the Great Britain Poultry Register of £1,226k, additional cost of capital of £211k and increased overheads from the transfer of functions of £879k.

Prior to 1 April 2008, Animal Health received a notional charge from Defra for all services provided centrally. From 1 April 2008, these costs were 'hard charged' by Defra. This change has resulted in increases to the charges following a review of cost allocations. The charges are set by Defra, which also provides the cash to fund them. During 2008-09, these charges amounted to £14.7m (2007-08 £9.2m).

Notional charges include the National Audit Office's audit fee of £85k for the audit of the 2008-09 financial statements and an audit fee of £13k for the audit of Animal Health's IFRS Trigger Point 1 submission to HM Treasury, accommodation charges provided to Animal Health by the Veterinary Laboratories Agency and the services of Defra Investigation Service. No remuneration was paid to auditors in respect of non-audit work.

8 Outbreak costs

	Note	2008-09 £'000	2007-08 £'000
Employment Costs		175	4,233
Travel and Subsistence		(499)	3,400
IT Costs		101	1,470
Office Services		(3)	510
Veterinary Consumables		2	230
Accommodation and Utilities		5	109
Official Veterinarian Costs		17	51
Training		3	14
Recruitment		—	9
Outbreak Costs Reported Elsewhere in the Accounts		(199)	10,026
Disease Eradication Costs	7	95	4,614
Total Incremental Outbreak Costs		(104)	14,640

This note shows Animal Health's incremental costs of responding to disease outbreaks and the headings in the accounts under which these incremental costs are recorded, together with the specific disease eradication costs shown in Note 7.

The credit of £499k in 2008-09 reflected settlement of accrued liabilities below the level provided relating to the outbreaks experienced in 2007-08.

9 Interest payable and similar charges

Animal Health incurred no charges for interest or similar charges during 2008-09 (2007-08 £nil).

10 Tangible fixed assets

	IT Equipment £'000	Assets in the Course of Construction £'000	Scientific Equipment £'000	Office Equipment and Furniture £'000	Plant and Motor Vehicles £'000	Total Restated £'000
Cost or valuation						
1 April 2008	33,092	19,596	491	2,471	404	56,054
Additions	—	18,103	38	1,326	6	19,473
Transfers	18,652	(18,652)	—	—	—	—
Disposals	(3)	—	(2)	(89)	(10)	(104)
Revaluation	(923)	—	—	60	20	(839)
31 March 2009	50,821	19,044	531	3,768	420	74,584
Depreciation						
1 April 2008	(21,931)	—	(168)	(1,127)	(308)	(23,534)
Charged	(4,510)	(51)	—	(341)	(31)	(4,933)
Disposals	—	2	—	87	9	98
Revaluation	120	—	(1)	(31)	(14)	74
31 March 2009	(26,321)	—	(218)	(1,412)	(344)	(28,295)
Net Book Value						
31 March 2009	24,500	19,044	313	2,356	76	46,289
31 March 2008	11,161	19,596	323	1,344	96	32,520

In accordance with FRS6, *Acquisitions and Mergers*, the figures for 2007-08 have been restated following the mergers referred to in Note 25. The increase in net book value at 31 March 2008 is due to the transfer of the Great Britain Poultry Register at a value of £7,180k plus the revaluation of £607k.

The Net Book Value for Plant and Motor Vehicles includes £68k for Motor Vehicles and £8k for Plant and Machinery (2007-08 £93k and £3k respectively).

The Net Book Value for Office Equipment and Furniture includes £1,675k for Office Equipment and £681k for Furniture and Fittings (2007-08 £535k and £809k respectively).

Assets in the Course of Construction relate to IT systems in development for the Business Reform Programme. When brought into use, their value will be re-assessed and any adjustment will be reflected in the Statement of Accounts for the year concerned.

Following the transfer of the Great Britain Poultry Register from Defra, the expected useful economic life has been reviewed as its functions will be built into the agency's Business Reform Programme. This review identified a change to the expected useful economic life from 1 April 2009, and will result in an additional depreciation charge of £292k in 2009-10.

11 Intangible fixed assets

	Software Licences £'000
Cost or valuation	
1 April 2008 and 31 March 2009	58
Amortisation	
1 April 2008	11
Charged for the year	3
31 March 2009	14
Net Book Value	
31 March 2009	44
31 March 2008	47

12 Cost of capital

	2008-09 £'000	2007-08 Restated £'000
Capital Employed at 1 April	16,850	(12,269)
Capital Employed at 31 March	29,049	16,850
Mean Capital Employed	22,950	2,291
Cost of Capital per the Accounts	803	80

In accordance with the FReM, a notional charge for the cost of capital employed in the financial year is included in the Operating Cost Statement. The charge for the year ended 31 March 2009 is calculated using HM Treasury's discount rate of 3.5% (2007-08 3.5%) applied to the mean value of capital employed during the period. The value of capital employed excludes non-interest bearing cash balances held with the Office of the Paymaster General.

13 Stock

	2009 £'000	2008 £'000
Veterinary Consumables	356	338
Less Provision	(118)	(155)
	238	183

14 Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year		
Trade Debtors	338	150
Defra and Defra Network Debtors	274	5,385
Other Debtors	144	78
Prepayments and Accrued Income	1,622	384
VAT	1,783	1,760
	4,161	7,757
Amounts falling due after one year		
Other Debtors	30	28
	4,191	7,785

Debtors include £3,267k due from other central Government bodies (2007-08 £7,447k), £7k due from other public bodies (2007-08 £3k).

15 Cash at bank

	2009 £'000	2008 £'000
Office of HM Paymaster General Accounts	1,574	—
Commercial Bank Account	14	14
	1,588	14

At 31 March 2008, the agency's balance with the Office of HM Paymaster General was overdrawn as shown in Note 16. This arose as a result of cash not being received by Animal Health when due. The cash was actually received early in April 2008 and the overdrawn balance cleared. For the purposes of the Cash Flow note, the two balances have been added together.

16 Creditors due within one year

	Note	2009 £'000	2008 £'000
Bank Overdraft	15	—	4,283
Trade Creditors		1,006	1,239
Defra and Defra Network Creditors		6,098	4,561
Tax and Social Security		91	62
Other Creditors		40	457
Capital Creditors and Accruals		5,201	8,151
Accruals		8,979	8,108
		21,415	26,861

Creditors due within one year include £6,488k due to other central government bodies (2007-08 £4,630k), £6k due to other public bodies (2007-08 £4k) and £6k due to local authorities (2007-08 £33k).

17 Provisions for liabilities and charges

	Dilapidations £'000	Asbestos £'000	Early Departure £'000	Tax Liability £'000	Total £'000
At 1 April 2008	769	300	38	–	1,107
Utilised	–	–	(27)	– (27)	
Provided	–	–	–	100	100
Released	(769)	(113)	–	–	(882)
At 31 March 2009	–	187	11	100	298

The dilapidations provision of £769k was released during the year, as Defra have agreed to meet future liabilities for the buildings they own.

The opening asbestos provision of £300k was created to remove asbestos identified during 2006-07 in a number of properties occupied by Animal Health. Work has been completed on some of these properties during the year and work on others was in progress at the year end. During the year, provisions made previously have been released as they are no longer deemed necessary.

Although Defra funds the Early Departure Provision for the additional pension costs for employees who were granted early retirement in 2005-06, full costs must be reflected in Animal Health's accounts. The in-year movement reflects the payments made by Defra on behalf of Animal Health in 2008-09. There were no early departures within Animal Health in 2008-09.

The tax liability has been provided to reflect the expected liabilities arising from travel and subsistence expenses paid to employees who have been on secondment for over 24 months.

18 General fund

	2009 £'000	2008 Restated £'000
At 1 April	11,937	(9,287)
Net Operating Costs for the Year	(116,461)	(121,211)
Net Cash Requirement Received from Defra	133,297	123,229
Notional Charges	603	9,458
Cost of Capital Charge	803	80
Transfer from Revaluation Reserve	20	13
Adjustments in year between Animal Health and Defra	51	9,655
At 31 March	30,250	11,937

Movements in the year consist of amounts generated from operational activities, the costs of group reconstruction and notional and non-cash charges. Adjustments in year between Animal Health and Defra represent the cost of transferring the Great Britain Poultry Register into Animal Health. The reserve is not distributable.

19 Revaluation reserve

	2009	2008 Restated
	£'000	£'000
At 1 April	644	615
Arising on Indexation during the year (net)	38	42
Write off devaluation against reserve	(275)	–
Transfer to General Fund	(20)	(13)
At 31 March	387	644

20 Net cash outflow from operating activities**Reconciliation of Operating costs to Net Cash Outflow from Operating Activities**

	2008-09	2007-08 Restated
	£'000	£'000
Net Operating Costs	(116,461)	(121,211)
Notional Charges	603	9,458
Non-Cash Costs	6,267	3,477
Non-Cash Movements in Provisions	(782)	934
Net Operating Costs excluding Notional and Non-Cash Costs	(110,373)	(107,342)
Loss on disposal of Fixed Assets	3	138
(Increase) in Stocks	(55)	(31)
Decrease/(Increase) in Debtors	3,594	(6,059)
Increase/(Decrease) in non-Capital Creditors and Provisions	978	(3,206)
Non-Cash Movements in Provisions	782	(934)
	(105,071)	(117,434)
Non-Cash Transactions		
Adjustments in year between Animal Health and Defra	45	2,439
Net Cash Outflow from Operating Activities	(105,026)	(114,995)

Adjustments between Animal Health and Defra in 2007-08 largely represent the transfer of the Great Britain Poultry Register with effect from 1 April 2008.

Capital Expenditure and Financial Investment

	2008-09	2007-08 Restated
	£'000	£'000
Tangible Fixed Asset Additions	(19,467)	(18,254)
(Increase)/Decrease in Capital Creditors	(2,950)	2,757
Proceeds from the disposal of Fixed Assets	3	3
	(22,414)	(15,494)

Change in Cash Balance

	2008-09	2007-08
	£'000	£'000
At 1 April	(4,269)	2,991
Increase/(Decrease) in Cash	5,857	(7,260)
At 31 March	1,588	(4,269)

21 Capital commitments

There were no material capital commitments at 31 March 2009 (2007-08 nil).

Although the agency was not committed to making any capital spend at the end of the financial year, capital spend will be incurred during the forthcoming 12 months. Most of this will be incurred on the BRP and costs will be capitalised thereafter in accordance with the agreed policy. At 31 March 2009, Animal Health was committed to time and materials BRP-related spend of £1.4m during 2009-10. Once this spend has been incurred and the relevant modules evaluated, the level capitalisable will be determined.

22 Commitments under operating leases

	2008-09 £'000	2007-08 £'000
Operating Leases which expire:		
Within one year	143	285
Between one and five years	673	172
After five years	2,388	2,244
	3,204	2,701

All operating leases relate to property. Operating lease rentals for property charged to the Operating Cost Statement in 2008-09 amounted to £2,869k (2007-08 restated £3,424k).

23 Contingent liabilities

There were no material contingent liabilities at 31 March 2009 (2007-08 nil).

24 Losses and special payments

	2008-09	2007-08
Cases	15	11
Cost £'000	78	12

Losses and special payments include £68k in respect of payments resulting from tribunal awards and unfair dismissal claims. The remainder represent a number of small ex-gratia payments to livestock keepers.

25 Compar atives

	£'000
Operating Cost Statement:	
Net Operating Costs for the Year Ended 31 March 2008, as previously stated	118,598
Transfer of Great Britain Poultry Register	2,000
Transfer of transmissible spongiform encephalopathy	585
Transfer of zoonotics	28
Restated Net Operating Costs for the Year Ended 31 March 2008	121,211

	£'000
Balance Sheet:	
General Fund Balance as at 31 March 2008, as previously stated	4,756
Rounding in previous year	1
Transfer of Great Britain Poultry Register	7,180
Restated General Fund Balance as at 31 March 2008	11,937

In accordance with FRS6, *Acquisitions and Mergers*, the results for 2007-08 have been restated following the merger of the Great Britain Poultry Register. In addition, the restated 2007-08 figures also reflect the transfer to Animal Health on 1 April 2008 of responsibility for managing the transmissible spongiform encephalopathy and zoonotics programme.

26 Related party transactions

Defra is a related party of Animal Health. During the year ended 31 March 2009, Defra funded Animal Health and provided a number of corporate services to Animal Health. In addition, Animal Health had a number of operational transactions with the department's other executive agencies (the Central Science Laboratory, the Rural Payments Agency, the Veterinary Laboratories Agency and the Veterinary Medicines Directorate) and with other Government bodies, notably the Scottish Government, the Welsh Assembly Government, the Food Standards Agency and the Meat Hygiene Service.

None of Animal Health's Executive Board, key managerial staff or other related parties undertook any material transactions with Animal Health during the year.

£67k and £119k were paid in the year on an arms-length basis to Lambert, Leonard and May, and to McAllister and Davies respectively for veterinary services (2007-08 £161k and £72k). These transactions are disclosed as a partner in each of these veterinary practices is married to an Animal Health member of staff.

The agency keeps a fully-updated register of interests.

27 Financial instruments

Animal Health does not face the degree of exposure to financial risk that commercial businesses do. In addition, financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing the agency in undertaking its activities. Animal Health relies upon Defra for its cash requirements, having no power itself to borrow or invest surplus funds and the agency's main financial assets and liabilities have either a nil or a fixed rate of interest related to the cost of capital (currently 3.5%). The short-term liquidity and interest rate risks are therefore slight and there is no foreign currency risk as all income and expenditure, and material assets and liabilities are denominated in sterling.

Financial Assets by category

Financial Assets per Balance Sheet	Loans and Receivables £'000	2008-09 Total £'000	Loans and Receivables £'000	2007-08 Total £'000
Cash	1,588	1,588	14	14
Trade debtors	425	425	4,611	4,611
Other debtors	1,983	1,983	1,414	1,414
Total	3,996	3,996	6,039	6,039

The above figures exclude statutory debtors which relate to VAT due from HM Revenue and Customs.

None of the Financial Assets have been subject to impairment.

An analysis of the ageing of the non-impaired trade debtors is shown below:

	Not due £'000	0-30 days £'000	30-60 days and over £'000	Total £'000
As at 31 March 2009	264	146	15	425
As at 31 March 2008	4,570	13	28	4,611

Financial Liabilities by category

Financial Liabilities per Balance Sheet	Financial Liabilities £'000	2008-09 Total £'000	Financial Liabilities £'000	2007-08 Total £'000
Bank Overdraft	—	—	4,283	4,283
Trade Creditors	2,711	2,711	1,894	1,894
Other Creditors	42	42	4,740	4,740
Accruals	18,571	18,571	20,165	20,165
Total	21,324	21,324	31,082	31,082

The above figures exclude statutory creditors which relate to tax and social security due to HM Revenue and Customs.

The following table illustrates the contractual maturity profiles of the agency's financial liabilities as at 31 March 2009 and 31 March 2008.

	Within 1 Year £'000	1-2 Years £'000	2-5 Years £'000	More than 5 Years £'000	Total £'000
As At 31 March 2009					
Bank Overdraft	—	—	—	—	—
Trade Payables and accruals	21,324	—	—	—	21,324
	<u>21,324</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,324</u>
As At 31 March 2008					
Bank Overdraft	4,283	—	—	—	4,283
Trade Payables and accruals	22,516	—	—	—	22,516
	<u>26,799</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,799</u>

Credit risk

The agency's principal financial assets are bank balances and trade and other receivables. These represent Animal Health's maximum exposure to credit risk in relation to financial assets. The credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of provisions for doubtful receivables estimated by the agency's management based on prior experience and their assessment of current economic value.

Set out below is the movement in the provision for bad and doubtful debts relating to the agency's trade receivables.

	2008-09 £'000	2007-08 £'000
Provision at 1 April	12 —	
Charges to Operating Cost Statement	—	12
Provision Used	<u>—</u>	<u>—</u>
Balance at 31 March	12	12

The above analysis includes amounts classified as Defra and Defra network debtors in the Balance Sheet.

Hedging

The agency does not involve itself in any hedging transactions.

28 Post balance sheet events

During 2009-10, the responsibility for the upkeep and maintenance of the estate occupied by Animal Health offices was outsourced as part of a department-wide facilities management contract across the Defra family. The contract will be managed centrally by Defra and Animal Health will transfer the necessary budget to Defra to cover the costs the agency incurs.

Animal Health's financial statements are laid before the Houses of Parliament by the Secretary of State for Defra. FRS 21, *Events After the Balance Sheet Date*, requires Animal Health to disclose the date on which the accounts are authorised for issue. The authorised date for issue is 29 May 2009.

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