

Animal Health and
Veterinary Laboratories
Agency

Annual Report and
Accounts
2013/14

Animal Health and Veterinary Laboratories Agency Annual Report and Accounts 2013/14

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

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Foreword by the Chief Executive – Chris Hadkiss

I am pleased to again be able to report on a continued improvement in performance and operations in 2013/14. This year saw a wide and varied number of challenges, particularly in the ongoing economic climate and the effects of budgetary restraints.

However, despite these challenges, we worked closely with Defra, the Scottish and Welsh Governments, our partners, stakeholders and our staff to ensure that AHVLA continued to deliver a high quality, effective and efficient service to all of its customers.

The agency engaged and worked with Defra on its ongoing strategic review (“One Business”), with the aim of developing a future business model that is more strategic, flexible and resilient for the whole Defra network. It brings together the structures, systems and processes across the network to deliver a better customer experience at a lower cost.

Good progress was made on our Veterinary Delivery Partnership Programme (VDPP), which will see the implementation of a complete package of measures to reform our relationship with Official Veterinarians (OV); in turn allowing the agency to meet EU procurement rules and truly provide an effective, efficient and quality assured veterinary service to customers and end users.

Work has progressed on developing processes and systems for charging directly for the agency’s services, this work is essential to ensuring that AHVLA can maintain levels of service delivery to its business customers. I recognise that charging for services represents a new burden on those who may have to pay the charges, including smaller businesses, but I am committed to ensuring that these impacts are minimised through effective engagement with industry, by following best practice and ensuring that the costs are as transparent as possible.

The work we have done with industry to provide a quicker method of providing export certification for Third Country Exports, has seen the agency help respond to industry needs and demands and this will assist in opening new markets overseas. The work carried out by staff in supporting the Government’s Badger Cull Pilot has meant this has been an extremely busy and challenging year.

I am particularly proud of the work of the agency’s Safety Health & Wellbeing Team (SHaW) in addressing and improving the health and safety culture within the agency. This work saw a reduction in Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) incidents and increased awareness and training taking place across the agency.

On the 1st October 2014 staff in AHVLA joined with the inspectorate staff in the Food and Environment Research Agency (Fera) to create a new Defra agency called the Animal and Plant Health Agency. The new agency will help maintain and enhance operational resilience, flexibility to adapt to changing government policy requirements and emergency response capacity for both plant and animal health.

I would like to thank our customers and stakeholders for their support during the year. I would particularly like to thank all my colleagues in AHVLA who work extremely hard to ensure the continued delivery of a high quality service to customers and end users.

Chris Hadkiss
Chief Executive

Do you know....

- AHVLA is ranked 5th in the world for animal health research, 3rd in Europe and top in the UK¹;
- We work in partnership with:
 - Universities
 - Science Institutes and Governments worldwide
 - Emergency Services
 - Local Authorities
 - Industry Groups
- We talk to farmers over 2,300 times a week; and

Each year we deliver....

- 1 million laboratory tests
- 250 published papers
- 500 research projects
- Over 80,000 TB tests
- 15,000 welfare visits
- 50,000 Convention on International Trade in Endangered Species (CITES) approvals
- 50,000 pet passports
- 60,000 export certificates
- 120 wildlife inspections

¹ http://epia-web.clermont.inra.fr/dsa/staridaz/base1_countries.html

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1. Who are we

Our Role

AHVLA's role is to safeguard animal health and welfare as well as public health, protect the economy and enhance food security through research, surveillance, inspection and disease eradication.

The work we do to achieve this is varied and includes:

- Research and consultancy.
- Surveillance and management of disease controls (bovine TB for example), including import and export control.
- Welfare inspections on farm and during transport.
- Protecting the nation's food supply through egg marketing inspections;
- Protecting CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) listed endangered species through our wildlife registration and licensing role.
- Support and facilitation of international trade.
- Acting as the national, European and international reference laboratory for several exotic and zoonotic notifiable diseases.

Our customers

Our main customers are Governments within the UK.

Defra

We supported Defra's action plan for growth, and in particular:

- Increasing exports and competitiveness in the food chain, helping to open up food markets worldwide, including China and Russia.
- Proactively safeguarding animal and plant health, by protecting UK agriculture revenue from the impact of imported diseases, monitoring animal disease threats and increasing the UK's resilience to deal with disease outbreaks.
- Reducing waste and inefficiency by supporting new anaerobic digestion capacity.
- Removing regulatory and other barriers to growth.

Welsh Government

We supported the Welsh Government's aims and priorities, by helping deliver sustainable farming and food industries through a range of agreed activities.

Scottish Government

We supported the Scottish Government's aim to focus on the public sector by creating a more successful country that is greener, healthier and wealthier.

Other customers

We also provide services to other government departments, the farming and transport industries, international bodies, commercial customers worldwide and end users. We provide some functions for the whole of the UK, notably the UK international reference laboratory function, the Wildlife Licensing and Registration Service and the Pet Travel Scheme.

Outbreak Response

We are responsible for making sure that should there be an emergency disease outbreak, such as foot and mouth disease or avian influenza, we are ready to respond effectively. One of our top priorities is working with our customers to ensure that together we are ready to deal with any outbreak that might occur.

Our contingency plans have been developed with customers; and co-ordinated support is essential from delivery partners such as local authorities, the police and public health organisations, as well as representatives from industry and private veterinarians, and we carry out regular exercises to ensure contingency plans work well and are effective.

Investigating reported cases of possible disease outbreaks form part of our routine activity. The majority are negative, but we will put our comprehensive contingency plans into action when they are confirmed positive.

2. Our Plans for 2014/15

The agency continues to be at the forefront of scientific and veterinary capability on animal health and welfare. We will continue to work with industry and our delivery partners to safeguard animal health and welfare, and public health.

In 2014/15, we will continue to support the Government's priorities by:

- Providing expertise and evidence derived from a programme of problem solving research and integrated field and laboratory based surveillance and intelligence gathering. This evidence will enable our customers to make informed policy decisions.
- Providing an efficient regulatory inspection service to meet domestic and international statutory obligations.
- Being a key influencer so that we can help shape the direction of the animal and public health sector. We cannot do this on our own so we will work with intermediaries, such as industry bodies and private veterinary surgeons, who have a more direct relationship with many of the end users.
- Providing a cost effective service to farmers and other end user customers in the animal health sector both directly and through a range of delivery partners and contractors, helping support the development of a sustainable and competitive industry.
- Advising and supporting the industry as a whole to comply with legislation.
- Carrying out our enforcement role in a proportionate and effective way.
- Providing a robust outbreak and incident management capability.
- Fully evaluating the levels of risk in everything we do and mitigating those risks appropriately.

Looking to the future

In common with the rest of government and our customers, AHVLA faces very challenging financial targets over the remaining year of the Spending Review period. To help meet these challenges, Defra and its wider network (which includes AHVLA) will increasingly operate as 'one business'.

On 1 October 2014, AHVLA and four plant health inspectorate functions and the National Bee Unit which were part of the Food and Environment Research Agency (Fera) joined together to form a new agency called the Animal and Plant Health Agency. This will mean that the Defra network is better placed to deliver animal and plant health with greater flexibility and resilience in the face of further budget cuts.

We are also working with Defra and the Scottish and Welsh Governments to review their delivery requirements in the new spending review period.

3. Our Performance in 2013/14

3.1 Achievements

2013/14 was a very busy year, delivering our customers' requirements in a continuing financially challenging environment. We continue to work hard on developing an agency that is fit for the future – driving down our costs, and improving our capabilities and the ways in which we work with others.

Bovine TB

Activities to eradicate bovine TB remain the largest area of the agency's business. We have continued to provide expert advice and research to Defra and the Scottish and Welsh Governments to help support the on-going development of their TB eradication, control and prevention policies.

AHVLA has continued to work to develop and implement improved quality systems to ensure high standards of TB testing and other activities involved in TB control carried out by our staff and others on our behalf. This has included designing a new and more efficient way of delivering high quality TB skin testing through private veterinary surgeons via the Veterinary Delivery Partnership Project (VDPP).

Scotland's Officially TB Free (OTF) status was maintained via our management of a risk based approach to surveillance and additional movement controls.

In 2013/14 we carried out TB testing on 87,988 herds and all resultant breakdowns were controlled and managed by AHVLA. We also introduced new measures to manage herds suffering long term TB breakdowns. From February 2014, herd breakdowns lasting more than 18 months are subject to enhanced case management procedures aimed at helping herd owners to regain their Officially TB Free (OTF) status as quickly as possible and reducing the risk of future breakdowns. This approach seeks to:

- Enhance support for cattle keepers in working towards regaining OTF status.
- Identify and deal with the factors causing persistent infection.
- Reduce risks posed to contiguous premises.
- Reduce the impact on farming businesses.
- Monitor and review the effectiveness of measures applied and use the skills and knowledge gained to inform management of future breakdowns.

AHVLA Science Strategy

Science is at the heart of what we do and we have worked hard this year to continue to ensure that science is embedded across the agency – from informing the advice we give to policy makers through to our field delivery.

Our Science Strategy has ensured we have focused on the identification and reduction of threats to animal health and welfare, and public health. It helps focus on ensuring and measuring the impact of our science, and continues to build our capabilities to make sure we are responding to new threats as they emerge.

A key part of the strategy this year was reorganising the structure of AHVLA's Science Directorate to strengthen the scientific oversight of our work and make commissioning new research more effective. The restructure enables us to maintain robust capability in virology and also recognises that transmissible spongiform encephalopathies (TSEs), which includes bovine spongiform encephalopathy (BSE) in cattle, scrapie in sheep and goats, which previously was a big part of our work, continue to reduce; and recognises that TB remains one of our key priorities.

It took us longer than we would have liked to put the reorganisation in place because we had to look at budgetary needs and where savings could be made, as this was an important process that means we can ensure a sound future for the science in AHVLA and make savings.

The changes have brought together Virology and TSEs into one department and Bacteriology and TB into another department to create bigger resource centres with more flexibility and opportunities for people to develop and be more multi-functional.

The structure also allows us to take a much more strategic view of science across the organisation, using specialist skills as required across all directorates and from outside the agency when required.

AHVLA and University of Alberta win Gates Foundation grant for brucellosis research

AHVLA, in collaboration with the University of Alberta (Edmonton, Alberta, Canada), have been awarded a research grant, of \$100,000, from the Grand Challenges Explorations (GCE) programme, an initiative funded by the Bill & Melinda Gates Foundation to pursue an innovative global health and development research project, titled 'Detection, Vaccination and Control of Brucellosis'.

GCE funds individuals worldwide to explore ideas that can break the mould in how we solve persistent global health and development challenges. This joint project was selected from over 2700 submissions and is one of more than 80 GCE Round 11 grants announced by the Bill & Melinda Gates Foundation.

The proposal aims to develop tools to assist in the control of brucellosis. This is one of the world's most significant zoonoses with a disproportionately high impact upon communities where animal production systems are more intimately linked to the human population. In many regions it is an endemic and embedded disease that reduces human and animal health in combination with a significant detrimental economic effect that perpetuates poverty. In Africa the prevalence of brucellosis in ruminants is estimated to be 12% and in South Asia prevalence is 16%. The control of endemic brucellosis is only achievable through mass vaccination. However there are no vaccines for humans and swine and the vaccines for ruminants are live, unstable, require extensive quality assurance, possess residual virulence, and require the maintenance of a cold chain. The most protective of these vaccines also confound diagnostic assays, significantly impairing the ability to identify truly infected animals.

A New Surveillance Model for England and Wales

AHVLA announced an improved approach to surveillance for new and re-emerging animal diseases and other animal related threats in England and Wales. The new model will improve the effectiveness of surveillance by making better use of the expertise of private vets, universities and the livestock industry as well as retaining the existing AHVLA veterinary network.

This partnership approach will improve access to post-mortem services and will create a more comprehensive system for gathering intelligence on emerging disease threats. The new approach is based on the recommendations of the independent Surveillance Advisory Group² and takes into account views and suggestions received from a public consultation³.

New model

The new model broadens the approach to scanning surveillance; moving away from relying so heavily on post-mortem examinations undertaken in government run facilities to detect threats. Instead greater emphasis is placed on a more systematic engagement with other sources of intelligence, enabling a more comprehensive threat picture to be drawn than is presently the case.

Overall the new approach:

- Improves coverage and representativeness of the surveillance system to enable early detection of new and re-emerging threats.
- Widens the surveillance network, to include private practitioners, other providers such as universities and AHVLA facilities.
- Increases joint working with vets, farmers and other animal keepers highlighting that intelligence exchange with surveillance is a shared responsibility.
- Enables the development and maintenance of expertise of all those working within the surveillance system.
- Reduces the burden on the taxpayer and improves the future sustainability of the system.

AHVLA Veterinary & Technical Strategy

AHVLA provides a significant part of the national veterinary service capability and we work closely with other organisations to deliver a coherent capability to respond to ever-changing threats. Animal disease ranks alongside terrorism and natural disasters as one of the highest priority risks in the GB National Risk Register of Civil Emergencies.

We continue to work on what our veterinary and technical capability requirements should be. This includes designing a new veterinary and

² <http://webarchive.nationalarchives.gov.uk/20140707141417/http://www.defra.gov.uk/ahvla-en/disease-control/surveillance/new-vet-surv-model/model-project/>

³ <http://webarchive.nationalarchives.gov.uk/20140707141417/http://www.defra.gov.uk/ahvla-en/about-us/consultations/surveillance-2014-and-beyond/>

technical family with clear development and career progression streams for each discipline.

We have also investigated and will introduce new ways of working with private veterinary surgeons and suppliers of veterinary services in order to ensure the delivery of animal health and welfare policies in a way that is demonstrably more effective and efficient in meeting the needs of the taxpayer, the farmed livestock industry and the veterinary profession.

This will be supported by a new approach for training and appointing individual vets to perform statutory work. In the future, training will be delivered by a commercial supplier who will provide a complete system of training, revalidation and administration. The cost of training will fall either to the individual or their employer in recognition of the business benefits accrued, but this will be offset by a considerable increase in the quality of service provided, which will be more accessible and consistent and, in-line with professional best practice, will allow revalidation. It will also improve the level of support provided to individual vets and their employers by adopting best practice for clinical governance and contribute to Continuing Professional Development (CPD).

AHVLA's South West Region involved in the relief effort following the floods on the Somerset Levels.

The South West Region participated in the Strategic Control Group (SCG-Gold Command) and Tactical Control Group (TCG-Silver Command) meetings and teleconferences, ensuring they were aware of any imminent or possible concerns for animal health and welfare.

The initial principal strategy for the groups was to protect life and properties. AHVLA's role was to provide advice and offer support with respect to any animal health and welfare issues that might arise.

Initially, concern was over the contamination of flood water but this changed to consider public and animal health issues and AHVLA provided advice and briefing notes specifically around drinking water for livestock.

Staff, answering calls in the regional offices, were all briefed to be able to deal with any related enquiries. Further rain and increased flooding then raised concern for animal welfare in the area.

AHVLA Veterinary Officers provided advice to farmers regarding movement of animals away from immediate danger, and the licensing team in Truro ensured movement licenses were issued promptly, when required.

The regional team was involved with other partner agencies to facilitate the evacuation of approximately 550 animals from one specific farm; and advice and guidance was given to farmers needing to move their animals away from flood waters.

AHVLA also used its mapping expertise and management information to gather details of livestock keepers in the affected area in order to contact them to let them know how AHVLA could help.

Emergency Preparedness

Although all suspect cases of exotic notifiable disease in 2013/14 proved negative, the risk of exotic disease appearing is ever present and we remain vigilant for existing and new threats.

Our preparedness is tested through local exercises and AHVLA in conjunction with Defra, Scottish and Welsh Governments, and Department of Agriculture and Rural Development in Northern Ireland (DARDNI), worked to plan, prepare and deliver Exercise Walnut, a UK national scale exercise in June 2013.

The primary purpose of Exercise Walnut was to test the UK's current contingency plans and established policies, including the control strategies, for an outbreak of Classical Swine Fever (CSF). It also tested AHVLA's operational response, new outbreak model and exposed communications, resilience and capability to scrutiny.

A two-day live exercise took place on 12 and 13 June 2013. Exercise Walnut concentrated on the response to an outbreak where disease spread had already occurred, in order to fully consider the disease control operations throughout the UK. The three command and control levels of the contingency plan (strategic, tactical, operational) were exercised and included the responses of the Administrations in England, Scotland, Wales and Northern Ireland. At the tactical level the Outbreak Coordination Centre and key policy elements of the National Disease Control Centre were established in Defra's Nobel House, London. Local Disease Control Centres were established in AHVLA Offices in England, Scotland and Wales.

A full exercise evaluation report including lessons identified has been published.

Russian meeting showcases AHVLA's virus work

AHVLA hosted scientists from the Russian Federation and colleagues from Defra and VMD in a three day science exchange visit at Weybridge. The meeting was an opportunity to share expertise and exchange ideas on animal diseases and zoonoses in the context of international trade, disease control and vaccine licensing, with a view to identify opportunities for closer working and for future collaboration.

AHVLA gave presentations on the agency's work and the work of AHVLA Scientific

The visitors also visited the laboratory and farm facilities at Weybridge and visited the Veterinary Medicines Directorate to learn more of the licensing process for registering vaccines.

At the end of the meeting, an outline agreement was signed by Chris Hadkiss, AHVLA Chief Executive and Russian counterparts, committing to develop this co-operation further through reciprocal visits and through opportunities for joint projects on these and other disease areas in the future.

Export Certification

The UK has a very good animal export reputation and we are seeing an increasing demand for UK produce in non EU markets. To enable industry to capitalise on these developing markets, there have been several requests by industry to AHVLA, for a leaner and more efficient approach to Export Health Certification. The current largely manual process is time consuming, labour intensive and can therefore impact on the exporters' ability to respond to market opportunities. AHVLA has worked with the different industry sectors to understand their specific needs and to work towards delivering a new and more efficient solution that both meets industry needs and provides the appropriate security reassurances to importing countries.

A good deal of work has been completed and AHVLA has worked with industry to gather requirements for a new online certification IT solution (COLIN) that meets the current needs of industry, is future proof and will enable a move to e-certification when the time is right. It is anticipated that a move to e-certification will require a considerable amount of negotiation with third countries, over a period of time.

To mitigate against the impact of these delays AHVLA have proposed an interim solution that was rolled out during the spring of 2014. This solution is based on our current (and simple) electronic solution used for exports to China and Russia and it is therefore proven to be acceptable to challenging new and emerging markets.

A simple and reusable payment solution is being developed that will enable the collection of fees for export certification to non EU countries in line with the anticipated introduction of charging by Statutory Instrument (SI).

Benefits

The benefits to industry of adopting the interim solution as phase 1 of the wider COLIN project are:

Facilitation of trade for industry – Information from HM Revenue and Customs shows that the value of non EU country exports in 2009 was over £650 million. It is anticipated that the export industry is currently growing, partially due to the increase in emerging markets such as China. The timely introduction of a more efficient licensing system will help to bring in new business and maintain growth. In turn this will support the UK government's aim to double exports within the decade and capitalise on existing ones.

Improved service delivery – This solution will mean greater convenience for customers with access to an electronic system that fits around their availability to submit applications. Improved end-to-end processing of applications provided a better flow of work to certifying veterinarians and, reduced the overall time to obtain certificates.

3.2 Developing our People and Expertise

We are committed to developing our people in order to be recognised as experts in science and delivery, and to be able to work effectively with and influence our stakeholders.

We took part in the Civil Service-wide People Survey to look at employee engagement and find out what our people are feeling about the agency and what we could do better in terms of working together. The overall results saw a drop on the Engagement score of 1% from the previous year, to 46% and an action plan has been put in place to address staff concerns, which includes our Executive Team taking part in a programme of visits to AHVLA locations across GB to give staff the opportunity to understand the direction of the agency and ask questions and give feedback.

The agency received Investors in People (IIP) accreditation in November 2013, and this has given us recognition for many of the initiatives we have put in place and continue to develop. This includes continued investment in learning and development for all our staff.

We also continue to implement a programme of continuous improvement using Lean thinking and working. 2013 saw the first anniversary of this work and to date AHVLA has:

- Trained 24 people across AHVLA in Lean working and thinking. Three of these are now fully accredited Lean Practitioners.
- Engaged over 700 people in learning about Lean and participating in workshops.
- Undertaken process improvement activity on Disease Report Forms (DRF); Official Veterinarian (OV) appointments and training; imports and exports; clinical chemistry and work streams associated with centralisation of test chart entry, animal by-products (ABP), OV claims, licensing, reactor removal and TB Procedures.
- Identified savings of 13 full time posts alongside savings in paper, telephone calls and postage.

3.3 Performance Indicators

Much of our work is determined by legislation which in turn is driven by policies to minimise disease risk. Our Ministerial Objectives, Key Performance Indicators (KPI) and Science Indicators reflect the need to ensure compliance with this legislation, and also reflect the particular and varied needs of Ministers and our policy customers.

The following section summarises our performance from 1 April 2013 to 31 March 2014.

- i. Met – all elements of the target fully achieved.
- ii. Met in part – applied when the major elements of a target have been fulfilled.

- iii. Not met – target not achieved by the end date.

RAG (red, amber and green) thresholds are assigned by the target owner and agreed by our policy customers. They are specific to each target and vary accordingly. The assessment of each target is based on the specific RAG threshold which determines the outcome of whether the target has been 'met', 'met in part' or 'not met'.

Ministerial Objectives Performance Outcomes

Delivery	
Contribute to TB Eradication and control.	MET IN PART⁴
Keep at the forefront of scientific development.	MET
Implementation of a new model for scanning surveillance (Surveillance 2014).	MET IN PART⁵
To complete a programme of Cross Compliance (XC) inspections in 2013 to enable GB paying Agencies to meet their Single Payments Scheme Deadline.	MET
Respond and risk assess all animal welfare complaints referred to AHVLA.	MET
Better Regulation	
AHVLA operated in accordance with the Regulators Compliance Code, with a clear strategy for meeting the Government's commitments to reduce the regulatory burden on business.	MET
Health & Safety	
Reduce the number of incidents reportable under the Reportable Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) (20% reduction on 2012-13 RIDDOR level).	MET
Improve the Health & Safety culture within AHVLA.	MET
Improve the Agency's Health and Safety image with customers and provide reassurance to the AHVLA Board.	MET
Financial Sustainability	
Achieve a balanced budget including savings of £7.3 million against the 2012/13 budget.	MET
Implement and further plan for the introduction of charging for	NOT MET⁶

⁴ The overall GB score is 87.5% (for reactor removal) which is short of being met by 2.5%. This was largely due to a more than 600 reactor animal removal in the South West that was delayed due to abattoir capacity.

⁵ Implementation of Surveillance 2014 began on 1 April 2014, and will be ongoing in 2014/15 with some changes not taking effect until 2015.

⁶ AHVLA have worked hard however the timeline for the introduction of some charges and the changes to legislation required to progress with these has been moved which has impacted on the timetable for the delivery of this work.

services.	
Agree a solution to quality assured delivery of TB testing.	MET
Customer Satisfaction	
Understand customer needs and meet their expectations.	MET
Maintain AHVLA's external quality accreditations.	MET
Learning & Growth	
Improve the staff engagement index from 2012/13 baseline.	NOT MET⁷
Encourage the uptake of one paid day per year by staff to volunteer within the community.	NOT MEASURED

KPI Performance

In agreement with policy customers, AHVLA was subject to Performance Standards for our field work that would demonstrate progress against key work activities.

In 2013/14 AHVLA had 53 KPIs, of which eight were calendar metrics which ended on 31 December 2013 and 45 were financial year metrics completed in March 2014. The KPIs cover a range of activities which include Reportable Diseases and Other Zoonoses, Border Controls, Disease Risk Reduction, Endemic Disease, Exotic Disease, Protecting the Food Chain and Welfare.

The RAG ratings for 2013/14 are:

Area	Measure	GB	England	Scotland	Wales
Reportable Disease and Other Zoonoses - Salmonella	Complete, or where relevant oversee completion of, 100% of official sampling requirements for the Salmonella (Broilers) National Control Plans listed above by 31 December 2013				
	Complete, or where relevant oversee completion of, 100% of official sampling requirements for the Salmonella (Layers) National Control Plans listed above by 31 December 2013				
	Complete, or where relevant oversee completion of, 100% of official sampling requirements for the Salmonella (Breeders) National Control Plans listed above by 31 December 2013				
	Complete, or where relevant oversee completion of, 100% of official sampling requirements for the Salmonella (Turkey Breeders) National Control Plans listed above by 31 December 2013	-	-	-	-

⁷ There was a decrease in the Engagement score in 2013/14. However, the Agency achieved IIP accreditation and it was acknowledged that AHVLA had done a lot of work in areas that staff were concerned about and it was unlikely that this would filter through and be reflected in the Engagement score for 2014/15.

Area	Measure	GB	England	Scotland	Wales
	Complete, or where relevant oversee completion of, 100% of official sampling requirements for the Salmonella (Turkey Fatteners) National Control Plans listed above by 31 December 2013			-	
Reportable Disease and Other Zoonoses - Brucellosis	Sampling of flocks & herds in the sheep and goat annual survey will be completed by the 31 December 2013				
Border Controls - Exports	Intra-Trade Animal Health Certificates (ITAHC) to be validated on the Trade Control & Experts System (TRACES) within 1 working day of certificate being signed ⁸				
	Consignments of exported cattle traced from new TB breakdowns to be notified to Policy Import and EU Trade team within 15 working days from the date of confirmation of disease ⁹				
Border Controls - Imports	Channelled consignments to be notified to Border Inspection Posts (BIP) within 15 days of release				
Border Controls - Wildlife Licensing	CITES - applications requiring referral to Scientific Authority to be processed within 15 working days of receipt ¹⁰		-	-	-
	CITES - all other applications to be processed within 5 working days of receipt		-	-	-
	Bird registration applications to be processed within 5 working days of receipt ¹¹		-	-	-
	Requests for releases of information, where offences are detected, processed and sent to law enforcement agencies within 5 working days ¹²		-	-	-
Disease Risk Reduction - Animal By-Products	All premises requiring approval will be contacted with an initial response to the application, including making arrangements for a visit, within 10 working days of a correctly completed application form being received by AHVLA				
	All Animal By-Product (ABP) operations requiring registration will have their registration document returned within 15 working days of a correctly completed form being received by AHVLA				
Endemic Disease - Tuberculosis	Ensure tracing action is completed within an average of 45 working days (9 weeks) from the date of Officially TB Free Withdrawn (OTFW)				
	To ensure that blood samples are collected from all animals (inconclusive reactors) eligible for compulsory gamma interferon tests within the required timescales in Wales		-	-	

⁸ The overall score is 89% which is a shortfall by 0.5% on target. This metric is reliant on certifying Official Veterinarians (OVs) returning the ITAHC 24 hours after signature. This is being continually monitored and action taken where the OV has failed to return in the timescale required.

⁹ The overall score is 88.8% which is a shortfall of 8.6%. Four animals were missed as part of a tracing action and identified at a later date as being part of the consignments. Although these animals were successfully traced, it was too late to meet the original 15 day target.

¹⁰ 2013/14 saw a 10% increase in volumes compared to 2012/13 and this combined with a late breeding seasons and a change to fees meant the agency was unable to process all the applications within the target timescale and saw an overall score of 78.9% which was a shortfall of 11.1% on target.

¹¹ Due to the 10% increase in volumes the agency was unable to process all the applications within the target timescale and saw an overall score of 87.6% which was a shortfall of 2.4% on target.

¹² A revised action plan was implemented in October 2013 which helped improve subsequent performance in this area to 79.8% which is a shortfall of 10.2% on target.

Area	Measure	GB	England	Scotland	Wales
	To ensure that blood samples are collected from all herds eligible for compulsory gamma interferon tests within the required timescales				
	Cattle movements from high risk areas to be cross checked in relation to pre movement and post movement testing and checks to be made with a minimum of 10% potentially non-compliant farmers		-		-
	Completion of overdue test process within 90 calendar days of the test becoming overdue				-
	Completion of overdue test process within 90 calendar days of the test becoming overdue		-	-	
	Completion of appropriate action on overdue non routine tests within 60 Calendar days of test becoming overdue		-	-	
	Salvage cheques to be returned in line with the TB & haulage contract ¹³		-	-	
	Removal of reactors/dangerous contacts from breakdown herds within 10 working days of disclosure/identification ¹⁴				
	To complete a Disease Report (as per AHVLA operations manual) where M.Bovis has been identified in farmed non-bovines and submit to Policy within 20 working days of identification of M.Bovis			-	-
	Cattle movements from high risk areas to be cross checked in relation to pre movement testing and checks to be made with a minimum of 5% of potentially non-compliant farmers			-	
	Suspend/Withdraw Officially TB Free (OTF) status (by service of TB2 notice) of all premises that are not already under restriction within 2 working days of notification of reactors/inconclusive reactors or slaughterhouse suspects ¹⁵				
	To complete a disease report form (DRF) visit within 20 working days of a) the loss of OTF status for an eligible herd where reactors have been detected or b) the receipt of a positive culture result for a suspect slaughterhouse case			-	-
	To complete a DRF visit within 10 working days of a) the loss of OTF status for an eligible herd where reactors have been detected or b) the receipt of a positive culture result for a suspect slaughterhouse case		-		-
	To ensure that all blood samples collected are of a satisfactory quality to give a gamma interferon result. No more than 10% of samples require a resample.				
	In farmed non-bovines where a suspect case of TB has been reported, contact to be made with the owner and, if required, restrictions served within 5 working days. Where M. Bovis has been identified in tissue samples, restriction to be served within 2 working days				

¹³ AHVLA have worked with the contract manager to address issues and ensure this metric performance is improved from 62.2% towards the target of 89.5%.

¹⁴ The overall score is 87.5% which is short of being met by 2.5%. This was largely due to more than 600 reactor animal in the South West delayed due to abattoir capacity.

¹⁵ During the year the overall score was 98% which was 5% short of being met with 83 restrictions out of 4219 being served out with the 2 days required. This is an improvement on the previous year's performance.

Area	Measure	GB	England	Scotland	Wales
	Complete an inspection of all OTFW premises depopulated/partially depopulated (including any approved finishing units seeking to regain OTF status following depopulation) before the TB10 is served, to check compliance with the BT05 (cleansing and disinfection) notice.			-	
	Quality assurance of Official Veterinarian test performance: to ensure that all new appointments are suspended from the appropriate panel after six months unless a supervised test, by an AHVLA Veterinary Officer is performed successfully				
	To complete a Disease Report (as per the AHVLA operations manual) where M.Bovis has been identified in farmed non-bovines and submit to Policy within 14 working days of identification of M.Bovis	-	-	-	-
	To collate and forward to Scottish Government monthly TB case summary reports by the 7th working day of each month		-		-
	A DRF visit to be undertaken wherever possible by the specific case vet. To be done within 10 working days of a) the loss of OTF status for an eligible herd where reactors have been detected or b) the receipt of a positive culture result for a suspect slaughterhouse case		-	-	
	In farmed non-bovines where a suspect case of TB has been reported, contact to be made with the owner and restrictions served within 2 working days. Where M. Bovis has been identified in tissue samples, restriction to be served within 2 days ¹⁶		-	-	
Exotic Disease - Avian Influenza	Risk based sampling of all eligible flocks under the annual Avian Influenza (AI) in poultry survey to be completed by 31 December 2013				
Exotic Disease - Suspicion of Exotic Disease	A Senior Veterinary Inspector (VI) will be dispatched to any report of a suspected case of an Immediate level Exotic Notifiable Disease (report or consultation) requiring a visit, within 30 minutes of the decision being made that an inquiry is necessary ¹⁷				
	A Senior VI will be dispatched to any report of a suspected case of an Urgent or Routine level Exotic Notifiable Disease (inc. Follow-up to non-negative surveillance results) within agreed timescales as specified in the AHVLA operations manual ¹⁸				
Protecting the Food Chain - Animal Feed Controls	Complete risk-based sampling visits under the National Feed Audit				
Protecting the Food Chain - Bovine Spongiform Encephalopathy	BSE suspects to be visited no later than the next day				-

¹⁶ The overall score is 66.7% which is short of being met by 22.8%. This was due to one case in January 2013, which was the only fail.

¹⁷ During the year the overall score was 94.1% which was 0.4% short of being met with a total of 51 notifications being received and on 3 occasions an inspector was dispatched outside the 30 minute target time.

¹⁸ During the year the overall score was 91.9% which was 2.6% short of being met with a total of 74 notifications being received and on 6 occasions an inspector was dispatched outside the target time due to unavailability of animal owners.

Area	Measure	GB	England	Scotland	Wales
	Imports & EU Trade notified of exported cohorts/offspring within 10 working days of Form C (report cases) or of notification (active surveillance cases)	-	-	-	-
	BSE – restrict eligible offspring and cohorts within 2 working days of service of Form C (report cases) or notification (surveillance)			-	
	Serve a whole herd restriction notice on all natal and rearing holdings immediately following a suspect BSE case			-	
Protecting the Food Chain - Egg Marketing	To audit a minimum 15% risk based sample of records with 100% verification at those places where records are required to be kept and appropriate action will be taken on any non-compliances identified			-	
Protecting the Food Chain - Scrapie	On farm suspect scrapie reports to be investigated within 2 working days			-	
	Tracings from confirmed (classical and atypical) scrapie cases to be completed within 20 days of notification ¹⁹				
	Completion of the on-farm inquiry within 10 working days following confirmation of new scrapie cases ²⁰				
Welfare	To complete all allocated Cross Compliance (XC) inspections in 2013 to enable GB Paying Agencies to meet their Single Payment Scheme deadlines				
	A Veterinary Risk Assessment of all farmed animal welfare cases referred to AHVLA will be completed and their priority determined within one calendar day				
	All welfare referral cases assessed as high risk will be visited within one calendar day of notification.				
	All welfare cases assessed to be of significant ministerial/media interest will be visited within one calendar day of notification or as appropriate.	-	-	-	-

Science Indicators

Our science research is agreed with our main customers each year. Individual strategies are drawn up for each science programme. These draw on veterinary surveillance and public health strategies as well as specific customer requirements. The programme strategies are reviewed annually.

Science performance metrics achieved for 2013/14:

- 93% of our research project milestones (288 out of 310).
- 99% of our surveillance deliverables (180 out of 182).
- 100% annual reports for Defra research (number agreed is 42).
- 100% final reports for Defra research (number agreed is 22).

¹⁹ On one occasion, tracing was delayed with an overall score of 80% which was 14.5% below target.

²⁰ On one occasion, tracing was delayed with an overall score of 26.3% which was 68.2% below target.

3.4 Complaints

Complaints to the Parliamentary Ombudsman from members of the public must be made via a Member of Parliament or equivalent in Scotland and Wales. During the reporting period, the Ombudsman received no complaints about the Agency.

We aim to resolve complaints within 15 working days. If, however, a complainant is not satisfied with the response received locally, he or she can escalate the complaint to our Communications, Customer and Business Strategy team where it is reviewed. If a complainant remains dissatisfied, a formal internal review of the case is carried out by one of our directors. In the reporting period, 56 complaints were escalated, one of which progressed to the formal internal review stage.

The complaints included dissatisfaction with TB testing and compensation to pet travel.

In 2014/15 we will be introducing a new complaints process for the business based on best practice across government, customer feedback and continuous improvement principles.

4. Safety, Health and Wellbeing

Significant progress has been made in health, safety and wellbeing during 2013/14. There are reliable indicators that legacy (former AH and former VLA) issues are being addressed and the AHVLA systems and ways of working are being established and embedded. However, there is still much to do.

During the first part of the year the agency agreed its safety, health and wellbeing vision – “to aspire to be a high performing organisation, to adopt good practice and lead in the sector”. To achieve this vision the agency agreed a strategy of improving SHaW using 6 strategic themes or topics. The 6 strategic themes chosen to improve the culture and performance have proven to be sound ones and have established a strong foundation to move the agency forward in the next few years. This is in line with the overall UK strategy “Be part of the solution” (Health and Safety Executive - HSE).

HSE interventions this year, in respect to biological agents, have produced more positive feedback from HSE who have recognised our progress. The agency was subject to a Crown Censure at the beginning of 2013/14 due to failings during 2011 and 2012, mostly in relation to operations at the Starcross site. HSE are satisfied that all the failings have been addressed. We were also subject to an HSE investigation in relation to an accident to a member of staff who suffered a needle stick injury while taking blood from a cow as part of TB testing. No formal action was taken but the agency received a letter of contravention in January 2014. All failings have been addressed.

The overall number of reported incidents is up nearly 30% on last year and significantly, near misses are up nearly 100%. This is considered to be an encouraging sign of an improvement in the accuracy of reporting and the ratio of near misses to accidents is now 2:1 and on target to meet an expected 3:1 ratio in line with Defra and its other agencies.

External independent audits have also recognised improvements made, in particular in relation to managing incidents and accidents. We now focus strongly on identifying the root cause of incidents and have a formal lessons learnt process to ensure we learn from our incidents across the agency.

The Safety Health & Wellbeing Team has worked hard during the year to improve communication and to raise awareness of our vision, plan and our behaviours and actions. Over 1,300 staff have attended health and safety briefings. In addition a number of training workshops have been developed and delivered for managers on health and safety leadership.

5. Equal Opportunities and Corporate Social Responsibility

Employee policies are reviewed on an annual basis.

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

AHVLA aims to be a diverse and inclusive agency that can attract and retain talented people from the widest range of backgrounds and offer all our employees equality of opportunity to progress and achieve their potential on merit.

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

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

Defra also operates four staff networks, including a Disability Network (DisNet). DisNet is aimed at providing a formal channel for communication with other disabled staff as well as acting as a channel of communication with management to help develop and promote diversity and equality policies.

AHVLA also has access to an external Equality and Diversity Scrutiny Advisory Group that acts as a ‘critical friend’ and offers specialist expertise. Our Trade Unions and our central Diversity team are keen to support us in taking actions that deliver diversity and equality of opportunity for our people at work.

AHVLA staff have access to Defra intranet pages on diversity and inclusion which provide guidance on specific topics, information about our staff networks, access to policies, reports and diversity monitoring data, a diversity calendar and contact details for further advice.

Corporate strategies for well-being, social responsibility and managing attendance are in place which takes a holistic view of people issues by incorporating them into frameworks that support the key employment aspects of staff recruitment and retention.

Sickness absence is closely monitored and policies are in place to reduce staff sickness absence, which include return-to-work interviews, occupational health advice on the medical and Equality Act aspect of cases. In addition to this counselling, information, training and advisory services are available through a contracted Employee Assistance Programme, or our internal Wellbeing Advisor.

In AHVLA, an average of 5.40 days per employee was lost to sickness absence during 2013/14.

As part of the wider Defra family, we have continued to demonstrate our commitment to the Corporate Social Responsibility agenda by providing information on a dedicated internal website that supports staff to identify and undertake volunteering activities in the wider community.

We operate flexible working to enable people to fulfil their personal and work responsibilities, including formal rights for parents and carers of adults.

6. Sustainability Report

During the year we remained committed to improving the environmental performance of our business operations, preventing pollution and, where practical, following best practice in environmental management.

About the data

There are still limitations to the accuracy of our sustainability data and we continue to work with Defra and our facilities management service provider, to further improve the quality of our internal controls. Energy and water consumption figures are based on billed amounts and are therefore subject to adjustments in subsequent periods.

Greening Government Commitments (GGC) targets

The GGC sets out targets on reducing greenhouse gas emissions, waste and water, and making procurement of goods and services even more sustainable. By 2015, against a 2009/10 baseline, we aim to:

- Reduce the amount of waste we generate by 25%.
- Reduce greenhouse gas emissions from the whole estate and business related transport by 25%.
- Reduce water consumption and report on office water use against best practice benchmarks.
- Ensure we buy more sustainable and efficient products and engage with our suppliers to understand and reduce the impacts of our supply chain.
- Reduce the number of domestic flights by 20%.

Waste

We have reduced the total amount of waste we generate by 22.7% and have reduced the amount sent to landfill by 44.8%.

Carbon and energy

The major contributing factor to our carbon foot print is the Weybridge site, due to the scale and nature of the work carried out on this site. With the help of Defra's Built Environment Sustainability Team and the facilities management provider, a number of proposals were selected to help reduce consumption. These were developed through the Carbon Reduction Programme which is continually identifying and reviewing opportunities for improving energy efficiency and implementing initiatives within the agency. This plan is regularly updated using regular benchmarking and targeting of energy use at property level and through in-depth energy surveys. Initiatives fall into four categories:

- Improved management of building plant and machinery through ongoing training and development of facilities management staff and implementation of more effective control mechanisms (timers, thermostats etc).
- Implementation of technologies (such as low energy lighting, voltage optimisation) which improve the energy efficiency of buildings.
- Campaigns to encourage staff to consider more efficient ways of working and to have a greater awareness of the energy they are using.
- Input to estate strategy enabling the department to consider energy and sustainability performance when considering property rationalisation.

We continue to take part in the Carbon Reduction Commitment, a major government initiative that offsets our greenhouse gas emissions from energy supplies. We also adopt Defra's travel policy which aims to strike an appropriate balance between costs and benefits, taking into account convenience, carbon emissions and care of staff. Travel should only be undertaken when there is no other practical business alternative and where travel is necessary, sustainability and environmental issues should be taken into account.

Water

To help reduce water consumption across the estate, washrooms are fitted with Eco shields and water savers (saving 1 litre per flush). However, a considerable amount of water is consumed by scientific processes on the Weybridge site. Water is used in many essential processes to ensure sterile laboratory environments are maintained and to prevent risk of contamination.

At present, 34% of our office-based sites fall into the 'good – best practice' category for water consumption per member of staff.

Paper

The Print Optimisation programme, rolled out to former Animal Health staff during 2011/12 has helped reduce paper consumption throughout the year by using default settings for back to back, draft black and white printing and reducing the number of devices across Defra from 2050 to only 900. The same programme is being introduced for former VLA staff. The new devices are also accredited under the EMCA (Environmental Management and Coordination Act) scheme for energy efficiency.

Governance

All our major contracts are handled by Defra through its Sustainable Operations and Procurement Strategy. This is developed and delivered through a Sustainability Governance Board which reports to Defra's Management Board on a monthly basis. Defra's procurement team works with suppliers of new contracts to minimise packaging waste, and consider sustainability more widely in their service provision.

Adaptation to climate change

Climate change adaptation surveys are carried out estate-wide by Defra. These are used to inform estate strategy decisions on rationalisation and office relocations.

7. Remuneration Report

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

In reaching its recommendations on remuneration, the Senior Salaries Review Body has regard to the following considerations:

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

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

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 Chris Hadkiss and the Non-Executive Directors the AHVLA Board members at 31 March 2014 hold open-ended appointments until they reach normal retirement age. The CEO, Chris Hadkiss, is on a renewable three year fixed term contract. The employment of the Chief Executive and of the other AHVLA Board members may be terminated in accordance with normal Civil Service procedures. Early termination, other than for misconduct, would result in compensation being payable as set out in the Civil Service Compensation Scheme. The Non-Executive Directors are engaged on three year fixed term contracts which may be subject to early termination by either party.

Claire Evans was appointed on an interim basis as Director of Corporate Services on 8 October 2012. From that date until 1 June 2013, when employment commenced with AHVLA, the amounts reported in the following table were payable (including irrecoverable VAT) to a recruitment agency. The

salary banding for 2013/14 represents the total of 2 months ended 31 May 2013 payable to the agency (2012/13: Full year) and pay costs for the 10 months ended 31 March 2014.

Tony Foster continued as Non-Executive Director. David Hughes, Quintin McKellar were appointed as Non-Executive Directors and Sarah Hendry as a Non Aligned Director, during 2013/14.

Remuneration and Pension Entitlements (Audited)

The emoluments and pension entitlements of the AHVLA Board members in 2013/14 were as follows (2012/13 in italics):

	Salary Banding	Bonus Banding	Benefits in kind	Pensions benefits ²¹	Total
	£'000	£'000	Nearest £100	£'000	£'000
Directors on the AHVLA Board as at 31 March 2014					
Chris Hadkiss Chief Executive from 7 January 2013	130-135 <i>(full-time equivalent 125-130)</i>	0 <i>(0)</i>	0 <i>(0)</i>	49 <i>(12)</i>	180-185 <i>(full-time equivalent 135-140)</i>
Glyn Hewinson Chief Scientist	65-70 <i>(full-time equivalent 65-70)</i>	0 <i>(0-5)</i>	0 <i>(0)</i>	7 <i>(6)</i>	75-80 <i>(full-time equivalent 70-75)</i>
Joan Skerry Director for People and Business Development	80-85 <i>(70-75)</i>	0 <i>(0)</i>	0 <i>(0)</i>	21 <i>(15)</i>	100-105 <i>(85-90)</i>
Simon Hall Veterinary Director	75-80 <i>(75-80)</i>	0 <i>(5-10)</i>	0 <i>(0)</i>	8 <i>(8)</i>	80-85 <i>(90-95)</i>
Claire Evans Director of Corporate Services from 8 October 2012	110-115 <i>(full time equivalent 140-145)</i>	0 <i>(0)</i>	0 <i>(0)</i>	31 <i>(0)</i>	140-145 <i>(full time equivalent 140-145)</i>
Tony Foster Non-Executive Director	10-15 <i>(5-10)</i>	0 <i>(0)</i>	0 <i>(0)</i>	N/A <i>(N/A)</i>	10-15 <i>(5-10)</i>
David Hughes Non-Executive Director from 5 August 2013	5-10 <i>(N/A)</i>	0 <i>(N/A)</i>	0 <i>(N/A)</i>	N/A <i>(N/A)</i>	5-10 <i>(N/A)</i>
Quintin McKellar Non-Executive Director from 20 August 2013	0-5 <i>(N/A)</i>	0 <i>(N/A)</i>	0 <i>(N/A)</i>	N/A <i>(N/A)</i>	0-5 <i>(N/A)</i>
Sarah Hendry ²² Non-Executive Director (Non-aligned Defra Director) from 1 December 2013	0 <i>(N/A)</i>	0 <i>(N/A)</i>	0 <i>(N/A)</i>	N/A <i>(N/A)</i>	0 <i>(N/A)</i>
Directors on the AHVLA Board during 2013/14					
Nina Purcell Chief Operating Officer to 2 February 2014	55-60 (full-time equivalent 65-70) <i>(65-70)</i>	0 <i>(0)</i>	0 <i>(0)</i>	-19 <i>(19)</i>	35-40 (full-time equivalent 50-55) <i>(80-85)</i>
Kim Worts ⁹ Non-Executive Director (Non-aligned Defra Director) to 30 September 2013	0 <i>(0)</i>	0 <i>(0)</i>	0 <i>(0)</i>	N/A <i>(N/A)</i>	0 <i>(0)</i>

²¹ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

²² The Non-Executive Directors (Non-aligned Defra Directors) receive their remuneration from Defra – there is no remuneration cost to AHVLA.

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

Loans may be made to staff to cover season ticket advances and relocation. As at 31 March 2014 there were no such outstanding loans to AHVLA Board members (2012/13: £nil).

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the Cash Equivalent Transfer Value (CETV) of pensions.

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

The banded remuneration of the highest paid director in 2013/14 was £130,000 to £135,000 (2012/13: Full time equivalent £140,000 to £145,000). This was 5.0 times (2012/13: 5.7 times) the median remuneration of the workforce, which was £26,063 (2012/13: £25,782). The reduction in the ratio is largely explained by the banded remuneration of the highest paid director in 2012/13 being higher than the equivalent for 2013/14, with the higher level reflecting the amounts paid to the recruitment agency in respect of the services provided.

Remuneration of staff ranged from £15,501 to £131,040 (2012/13: £15,529 to £143,356). In 2013/14, no members of the workforce received full time equivalent remuneration in excess of the highest paid director (2012/13: None).

Pension Benefits²³

	Accrued pension at pension age as at 31 March 2014/ related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Directors on the AHVLA Board as at 31 March 2014						
Chris Hadkiss ²⁴ Chief Executive	70 --- 0	69	910	9	890	0
Glyn Hewinson Chief Scientist	22 --- 67	2	421	390	5	0
Joan Skerry Director for People & Business Development	29 --- 86	4	637	578	20	0
Simon Hall Veterinary Director	23 --- 68	2	436	403	6	0
Claire Evans Director of Corporate Services	2 --- 0	2	24	0	18	0
Directors on the AHVLA Board during 2013/14						
Nina Purcell Chief Operating Officer to 2 February 2014	29 --- 87	-2	547	529	-14	0

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

The pension information for each member of the AHVLA 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 AHVLA. All funding, to finance the deferred remuneration the accrued pension benefits represent, is paid to the Treasury.

²³ Non-executive directors do not receive any pension benefits and are therefore excluded from the table

²⁴ Chris Hadkiss' CETV at 31 March figure supplied for the 2012/13 published accounts by MyCSP included his Classic service resulting in a closing balance of £772,000

Further information on these pension schemes is provided in Note 4 in the Statement of Accounts.

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

Review of Tax Arrangements of Public Sector Appointees

As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, Departments and their arm's length bodies must publish information on highly paid and/or senior off-payroll engagements. The following data is required to be reported:

- Off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than 6 months:

Number of existing engagements as of 31 March 2014	7
Of which:	
Have existed for less than one year at time of reporting	3
Have existed for between one and two years at time of reporting	-
Have existed for between two and three years at time of reporting	1
Have existed for between three and four years at time of reporting	-
Have existed for four or more years at time of reporting	3

- Off-payroll engagements between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than 6 months:

Number of new engagements between 1 April 2013 and 31 March 2014	-
Include contractual clauses giving AHVLA the right to request assurance in relation to Income Tax and National Insurance obligations	-
Number for whom assurance has been requested	-
Of which:	
Number for whom assurance has been received	-
Number for whom assurance has not been received	-
Number that have been terminated as a result of assurance not being received or ended before assurance was received	-

There were 3 such engagements but none extended beyond 6 months within the period 1 April 2013 to 31 March 2014.

- Off-payroll engagements of Board Members and/or senior officials with significant financial responsibility between 1 April 2013 and 31 March 2014:

Number of off-payroll engagements of Board Members and/or senior officials with significant financial responsibility	-
Number of posts, as at 31 March 2014, within AHVLA that contain, or once filled would contain, individuals that are "Board Members and/or senior officials with significant responsibility". This number includes both off-payroll and on-payroll re-engagements.	4 Non-Executive Directors

8. Financial Review

AHVLA is a Net Running Cost (NRC) Agency. The net operating expenditure for 2013/14 and 2012/13 include property revaluation deficits and impairments not covered by previous revaluation surpluses.

This year has seen a continued development of the agency with the transfer of the Wildlife Function from Fera on 1 April 2013. The non-operating gain of £911k represents the value of the Wildlife Function net assets as at 1 April 2013 transferred from Fera for no consideration. The Accounts for 2013/14 of Fera include an equivalent non-operating loss.

AHVLA is reporting net operating expenditure of £9.1m for 2013/14 and £7.5m of net revaluation deficits covered by previous revaluation surpluses. The net operating expenditure is after property revaluation deficits and impairments of £13.7m not covered by previous revaluation surpluses. The net operating expenditure of £4.5m in 2012/13 is after property revaluation deficits and impairments of £8.0m not covered by previous revaluation surpluses. Without these charges the net operating income would have been £4.6m and £3.5m respectively.

During the year the agency ran a Voluntary Early Departure scheme costing £2.3m funded by Defra, our parent Department, which when combined with natural wastage led to a reduction in staff which is the equivalent of 193 full time posts.

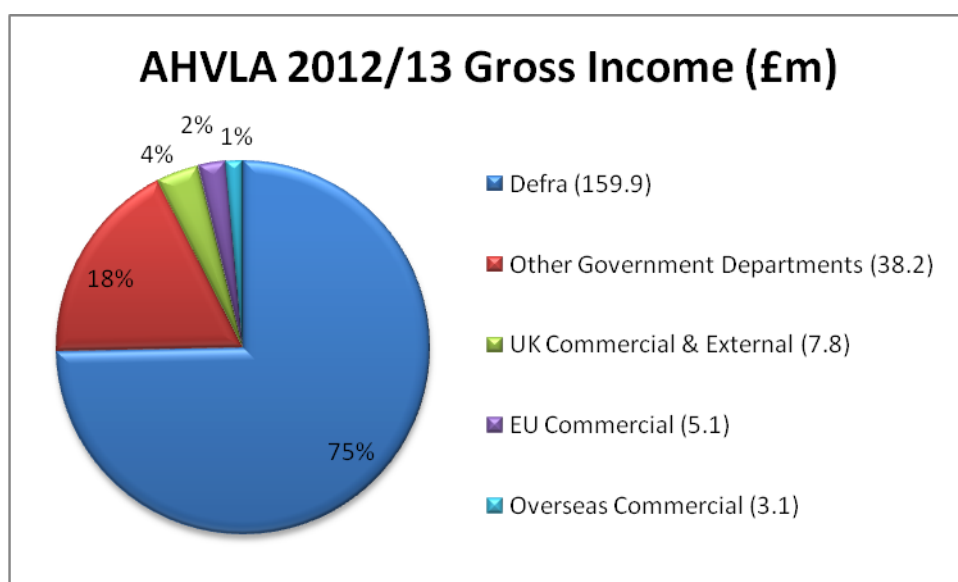
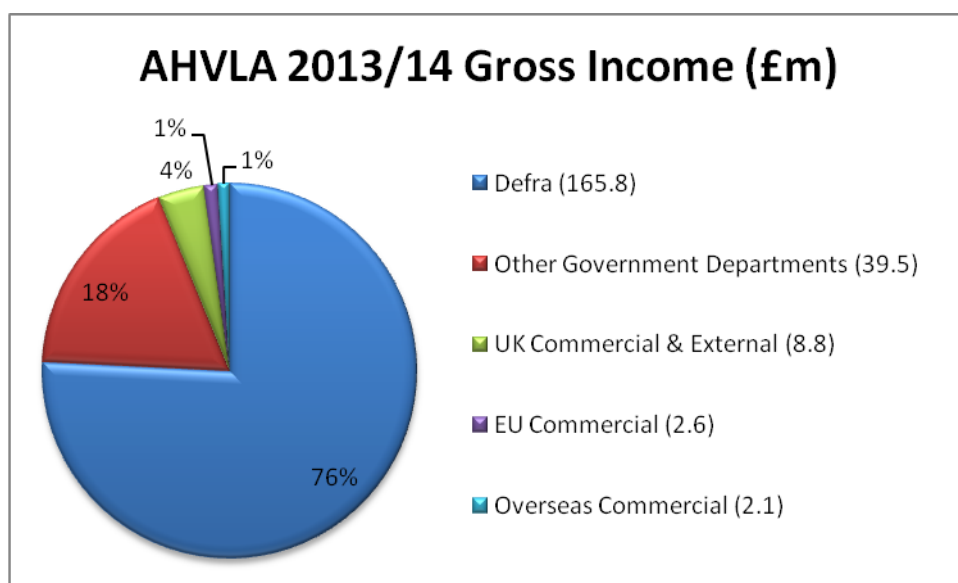
The agency expects to face ongoing challenges from reduced funding in the coming years and will address these by reducing costs and continuing to identify opportunities for efficiency savings, whilst protecting veterinary capability and maintaining a core capacity.

Income

The income available to AHVLA continues to decrease in real terms. The overall increase in funding from £214.1m in 2012/13 to £218.8m in 2013/14 reflects the transfer of the Wildlife Function (£7.6m) and the Badger Control Programme work (£1.8m).

The following table compares the proportional sources for 2013/14 and 2012/13:

Income	2013/14 %	2012/13 %
Defra	76	75
Other Government Departments	18	18
UK Commercial & External	4	4
EU Commercial	1	2
Overseas Commercial	1	1
Total	100	100



Note 7 to the Accounts include an analysis of income by service line.

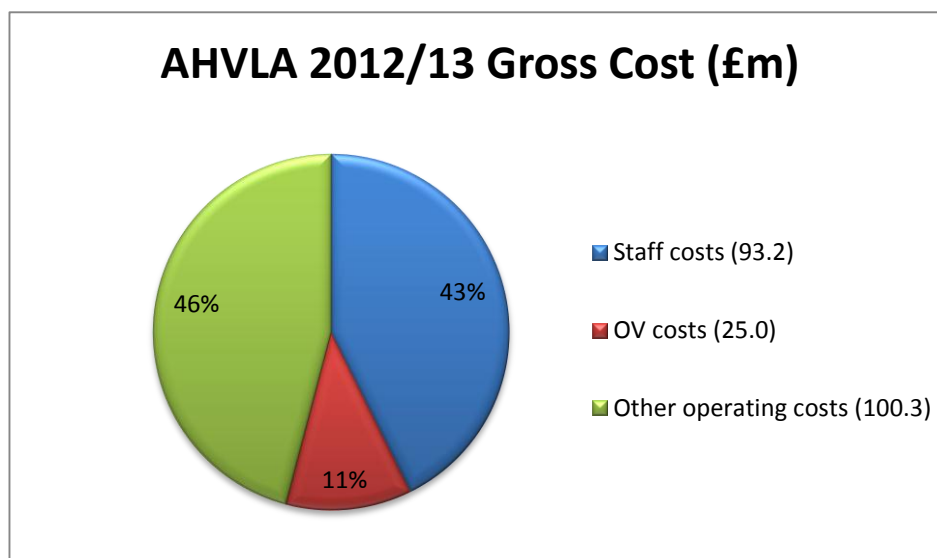
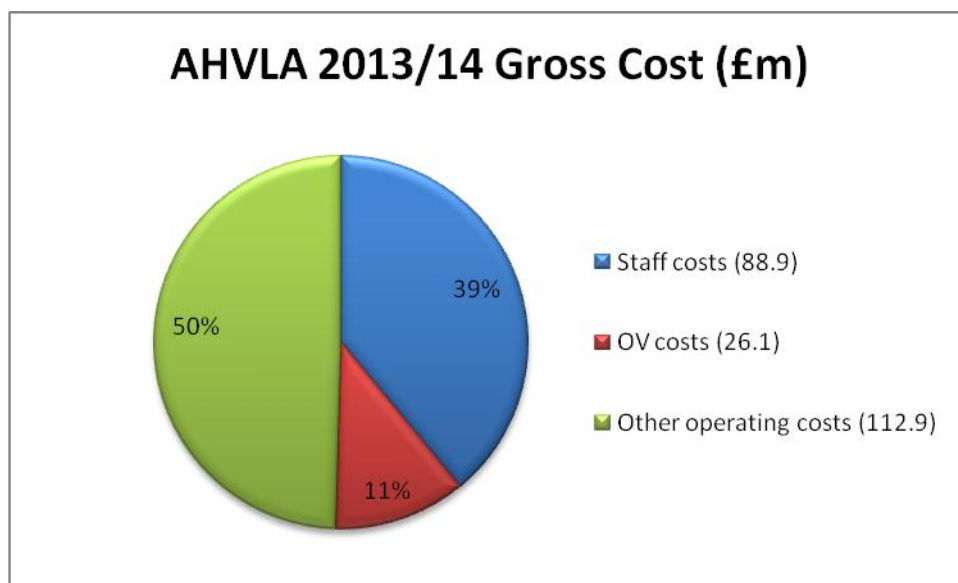
Costs

Total operating expenditure for the year of £227.9m compares to £218.6m for 2012/13. The reported expenditure includes £13.7m (2012/13: £8.0m) of

property revaluation deficits and impairments not covered by previous revaluation surpluses.

The following compares the proportional categories of expenditure for 2013/14 and 2012/13:

Operating Expenditure	2013/14 %	2012/13 %
Staff costs	39	43
OV costs	11	11
Other operating costs	50	46
Total	100	100



The agency's single greatest cost category relates to staffing and in 2013/14 this was £88.9m compared to £93.2m in 2012/13, a £4.4m (4.7%) decrease.

The decrease reflects the reducing number of staff, including contractors, a £0.9m reduction in staff exit costs and an increase in the required accrual for staff leave not taken as at 31 March 2014.

Official Veterinarian (OV) costs have risen to £26.1m from £25.0m in 2012/13 reflecting the increased use of external veterinary services, following in-year changes to TB policy for radial and edge testing.

Total other operating costs for 2013/14 amount to £112.9m compared to £100.3m for 2012/13, a net increase of £12.6m. Veterinary and laboratory consumables net expenditure reduced due to the offset benefit of increased reagents revenue and reduced project specific costs. Sub-contract services, and related travel and subsistence costs, increased due to the Badger Control Programme. IT costs increased due to the on-boarding costs of the Wildlife Function staff; the continuing process of on-boarding the former Veterinary Laboratory Agency staff; and preparatory spend on future IT requirements. The charges from Defra for estates management and accommodation services increased significantly due to retrospective charges caused by faulty gas meters; the charges for the Wildlife Function accommodation; increasing maintenance charges arising due to the ageing buildings; and the application of a refreshed pricing matrix for the facilities management contract. Revaluation deficits and impairments not covered by previous revaluation surpluses increased by £5.7m.

Capital

The largest in value assets of the agency are non-current assets. Property, plant and equipment asset values are dominated by the value of the specialised land and buildings occupied by the science, laboratory and research departments. These mainly comprise specialist laboratories and it is due to the specialised nature of these that they are included on the agency's Statement of Financial Position. This is a different treatment from those locations occupied by the field teams, which are mainly office accommodation and are reported within the Statement of Financial Position of Defra.

Intangible non-current assets largely represent internally generated software, the total of which is expected to increase further, albeit at a slower rate as more modules of BRP are constructed and implemented.

Capital expenditure of £7.3m in the year on property, plant and equipment is £0.9m less than 2012/13. The expenditure largely represents the continued investment in buildings. The expenditure on intangible assets of £5.2m is £0.8m more than 2012/13. The expenditure during the year relates to the continued development of IT Software which should be complete and available for use by mid-2014/15.

Cashflow

Cash and cash equivalents have increased from £10.3m at 31 March 2013 to £29.4m at 31 March 2014, an increase of £19.1m, largely reflecting a net cash

inflow from operating activities due to non-cash costs and £10.0m of funding through the General Fund from Defra.

Debtor days outstanding at the end of March 2014 were 41.5, compared to 36.6 days at the end of the previous year.

In paying creditors, AHVLA aims to follow the principles of the Better Payment Practice Code in compliance with the Public Sector Payment Policy, and continues to adhere to the Government's initiative to pay 80% of undisputed invoices within five working days. For 2013/14 AHVLA achieved 96%.

Supplier Payments	£'000	Number
Total invoices paid in the year	56,769	26,677
Total invoices paid within reduced payment target	52,982	25,496
Percentage of invoices paid within target	93%	96%
Total invoices paid within contractual terms	56,759	26,660
Percentage of invoices paid to contract	100%	100%

Audit

As far as the Accounting Officer is aware, there is no relevant audit information of which the Agency's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the Agency's auditors are aware of that information. The Accounts are audited by the Comptroller and Auditor General (C&AG) for which the Agency incurs a notional charge of £240k.

Chris Hadkiss
Chief Executive
15 October 2014

The signature above covers Page 8 – 40 and the contents required by the 2013/14 The Government Financial Reporting Manual (FReM) of the Strategic Report, Directors Report and Remuneration Report.

9. Statement of Accounting Officer's Responsibilities

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

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

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on the going concern basis.

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

10. Governance Statement

INTRODUCTION

HM Treasury's *Managing Public Money and Financial Reporting Manual* require that I, as Accounting Officer, provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year.

HM Treasury introduced a new Corporate Governance Code for central government departments in July 2011. The new code builds on the principles of the original code published in July 2005, focusing on the role of boards, since these provide leadership. I have provided details below of how AHVLA's system of corporate governance has operated during 2013/14, including any areas where the system has not operated in line with the code.

ROLE OF ACCOUNTING OFFICER

The Permanent Secretary of Defra has appointed me, as Chief Executive, as Accounting Officer for AHVLA. As Accounting Officer, I have responsibility for maintaining a sound system of governance that supports the achievement of AHVLA's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury's *'Managing Public Money'*.

GOVERNANCE

'Corporate Governance' is deemed to be the system by which an organisation is directed and controlled. I have ensured that the AHVLA's **corporate governance arrangements** are designed to comply with the *Code of Good Practice on Corporate Governance in central government departments*.

The key elements of the Agency's system are:

- The AHVLA Board
- Executive Committee
- Finance and Performance Committee
- Science Advisory Group
- AHVLA Strategic Health & Safety Committee
- The AHVLA Audit Committee
- A good governance culture
- A sound system of internal control
- Audit and assurance activity.

AHVLA Introduction

AHVLA is a Net Running Cost (NRC) Executive Agency of Defra. Governance arrangements are formalised within a Framework Document which is available at: <https://www.gov.uk/government/organisations/animal-and-plant-health-agency>.

As a NRC Agency a proportion of the overall GB budget previously provided by Defra has been devolved to the Scottish Government and Welsh Government. The change to overall NRC Agency status, as part of the merger, has seen a move from a centrally funded and drawn down budget to cover the running costs of the Agency to an invoicing system, based on deliverables through Service Level Agreements with Defra, the Scottish Government and the Welsh Government.

A major focus for 2013/14 has been to continue the momentum in driving to a full merger of the former organisations within this third year, both in terms of a cultural and a business process approach. Continuing the integration with reducing resources whilst continuing to achieve business outputs has tested the internal control system. Some weaknesses have previously been revealed that are detailed in the Significant Issues section below and as a result improvements have been, and will continue to be made.

Governance of AHVLA

This statement covers the 2013/14 financial year. I was appointed as Chief Executive and Accounting Officer in January 2013. This report includes details of how AHVLA has responded to existing internal control issues that were not formally identified until the final few months of 2012/13:

- The Board composition did not comply with the 'Corporate governance in central government departments – Code of good practice'. I have addressed this for the 2013/14 financial year.
- There was insufficient support to the Board in relation to finance and performance and for the 2013/14 financial year I have introduced a new Finance and Performance Committee, meeting monthly from November 2013.
- Strengthening the effectiveness of the Audit Committee, this was highlighted through a self-assessment exercise. The newly appointed Chair of the Audit Committee has progressed measures to achieve this throughout 2013/14, and this will be continued in 2014/15.
- Impaired risk visibility at Board level and linkage to business identified risks. Action to address this began in January 2013 and has continued during 2013/14.
- There were significant issues with the H&S culture within the agency. Work began on addressing this from January. In June 2013 a specific Health and Safety Advisor was appointed who has led the ongoing action plan.

These issues and the improvements that I have introduced, since taking Accounting Officer responsibility to address them, are explained further below.

The system of internal control begins with the Defra Chief Operating Officer acting on behalf of the Defra Supervisory Board in all AHVLA ownership matters. This role is line manager to my Chief Executive role and responsibilities include providing assurance to the Defra Supervisory Board that appropriate governance arrangements are in place within the agency.

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

As Chief Executive and Accounting Officer I have personal responsibility and accountability to Parliament through ministers, and also to the devolved administrations in Scotland and Wales in relation to activities within their areas. In addition, I am responsible for the delivery of the AHVLA strategy and resources, both financial and people. In delivering these responsibilities I am supported and challenged by the AHVLA Board.

The AHVLA Board ensures the agency meets its ministerial and key targets and manages corporate level risks. It focuses on change and assuring itself that the processes for governance and management control are working across the agency. The Board met in May, September, December 2013 and April 2014 and, with effect from April 2013, its members are:

- Non-Executive Director (Chair)
- Chief Executive Officer
- Chief Operating Officer
- Director of Corporate Services (Finance Director)
- Veterinary Director
- Chief Scientist
- Director of People and Business Development
- Defra Non-Executive Director
- Two additional Non-Executive Directors.

The AHVLA Board considers the plans, performance and strategic direction of the agency, the most important risks to successful delivery of those plans and the agency's stewardship of public assets. The objective of the Board is to advise the accounting officer and to ensure that the agency is organised, resourced and motivated to deliver its objectives efficiently and effectively, giving collective leadership to the agency by:

- Providing strategic direction to the agency and ensuring that the wider, cross-cutting and longer term issues are properly considered.
- Ensuring that the agency has sufficient resources and staff with the skills, knowledge, motivation and support to deliver its objectives.

- Ensuring appropriate standards of corporate governance are in place and are observed.
- Listening to, and tackling, the concerns of staff and promoting good management.
- Communicating with staff and representing the agency's collective interests to the outside world.

The AHVLA Board receives reports from all committees as considered appropriate and necessary.

Details of AHVLA Board members attendance during 2013/14		
AHVLA Board members		
Title	Name	Meetings attended
Non-Executive Director (Chair)	Tony Foster	4/4
Chief Executive Officer	Chris Hadkiss	4/4
Chief Operating Officer (see note 1)	Nina Purcell	4/4
Director of Corporate Services (Finance Director)	Claire Evans	4/4
Veterinary Director	Simon Hall	4/4
Chief Scientist (see note 2)	Glyn Hewinson	4/4
Director of People and Business Development	Joan Skerry	4/4
Defra Non-Executive Director	Kim Worts	2/2
	Sarah Hendry	2/2
Two additional Non-Executive Directors	David Hughes	3/3
	Quintin McKellar	3/3
<p><i>Note:</i></p> <p>1. The Director of Wales and Director of Specialist Service Centres attended the meeting held on 24th April 2014 on behalf of the vacant Chief Operating Officer's post.</p> <p>2. The Director of Scientific Services attended the meeting held on 17th September 2013 in Chief Scientist's absence.</p>		

Details of Audit Committee members attendance during 2013/14		
AHVLA Audit Committee members		
Title	Name	Meetings attended
Non-Executive Director - Chair	David Hughes	3/3
Non-Executive Director (see note 1)	Tony Foster	4/4
Non-Executive Director	Sarah Hendry	1/2
Non-Executive Director	Jim Oatridge	1/1
Non-Executive Director	Robin Pritchard	1/1
Non-Executive Director	Kim Worts	0/1
Note: 1. Tony Foster chaired the meeting held on the 24th June 2013.		

On taking up appointment I recognised that the agency did not comply with the 'Corporate governance in central government departments – Code of good practice', specifically in relation to the Board's composition. I confirm that now, as Accounting Officer, I and the AHVLA Board, conform to the guidance and regulations provided by HM Treasury, Cabinet Office and effect any recommendations of the Public Accounts Committee and other Parliamentary select committees.

Committees of the AHVLA Board

The AHVLA Board is supported by five sub-committees:

- The Executive Committee responsible for implementing improvement, monitoring performance against targets and managing the change agenda
- The Finance and Performance Committee, chaired by a Non-Executive Director, provides further support and governance assurance to the Board. This commenced in November 2013.
- The Science Advisory Group, which oversees the Chief Scientist Group and the Science Operations Group, is chaired by a Non-Executive Director and is responsible for providing constructive challenge to AHVLA's science strategy and scientific performance.
- The AHVLA Strategic Health & Safety Committee identifies the strategy the agency will follow to ensure that it meets its obligations to manage H&S and to promote good safety practice and reviews the H&S Risk Register and considers escalation of risks to corporate level.
- The Audit Committee which is chaired by a Non-Executive Director is responsible for dealing with issues of risk, internal control, governance and associated assurance.

The Audit Committee is a sub-committee of the Board and is responsible for providing assurance, to the Accounting Officer that the agency's system of internal control is operating effectively. It meets approximately every quarter and reviews the Board's assessment of corporate risk, considering wider Departmental risk as appropriate.

In addition, it considers reports from and monitors progress with the internal audit programme, health and safety reports and other assurance processes operating across the agency.

During 2013/14 the Audit Committee specifically reviewed or considered various topics including the:

- 2012/13 annual report & accounts.
- 2012/13 internal audit annual report & opinion.
- 2012/13 NAO external audit annual report and opinion.
- The Agency's corporate risks register.
- Internal audit and NAO audit strategies and progress for providing assurance to the Chief Executive as Accounting Officer.

Towards the end of the 2012/13 financial year the then Audit Committee members performed a self-assessment exercise using the National Audit Office (NAO) Effectiveness Tool. The information from this exercise identified that I needed to significantly improve the Committee's ability to provide oversight of the risk management process and that the Committee and Management must improve in its collaboration, consideration and challenge of internal audit. The Committee also needed to develop the ability to identify opportunities for enhancing its own effectiveness. These issues have been addressed as part of the improvement to the internal control system during 2013/14.

Effectiveness of Board Performance

In order to improve the quality of information that is available to the Board I have introduced a process of Internal Control and Quality Self Certification. This has resulted in a cascade from the Board of a core set of internal control and quality requirements, evidenced through quality indicators, which each Director will be required to certify. Development of this process, which was rolled out during the last half of the financial year has been a major part of the improved internal control system that has been delivered within 2013/14.

Internal Control Framework

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

The system utilises a number of resources to confirm the adequacy of the control. I have already referred to the top level control demonstrated through the Defra Supervisory Board, the Agency Audit Committee, the Executive Committee, the Customer Board and the AHVLA Strategic Health & Safety Committee; in addition there are teams, structures and processes that play significant roles in specific areas.

Information security

The Information Security Forum chaired by the Chief Information Officer (CIO) overviews information security. It meets at least quarterly to:

- Review any security events and incidents and identify emerging trends
- Review information security risks and their mitigation
- Review any audit findings and improvement plans
- Review security awareness broadcast messages.

The "Protecting Information" online training modules were replaced during 2013 with "Responsible for Information" - which also incorporates "Fraud and Awareness". 88% of AHVLA staff (both permanent and interim) have (from 1st November 2013 to the year-end) successfully completed the "Responsible for Information - General User" online training. 100% of AHVLA's Information Asset Owners (IAO's) have completed the corresponding "Responsible for Information - IAO" online training. Each office has to complete mandatory clear desk checks and these have presented no significant issues. The IT Security team liaises closely with all of the Information Asset Owners who in turn provide detailed reports for review. The IT Security team has overseen user access reviews which have seen significant reductions over the last twelve months; i.e. Access to SRABPI (System for Recording Animal By Product Information), VMVMS (Veterinary Medicines Visit Management System) and WebOCC (Web-based Offspring Cohort Cull system) has been reduced by 35.81%, 88.08% and 93.73% respectively.

These activities form the core programme of work undertaken to maintain good information security management within the agency and, as a result no reportable personal information related incidents occurred during 2013/14 and there were no other data related incidents deemed to be significant or critical.

Programme Control

The Business Reform Programme Board meets monthly to review the programme in relation to the strategic context and considers:

- The general programme control
- Progress against the plan
- The financial position
- Risks and issues.

Control is also demonstrated through appropriate Office of Government Commerce (OGC) gateway reviews.

Financial Management and Control

Financial management and control continues to be reviewed by the AHVLA Board through regular financial reports. It is further controlled by the Internal

Control and Quality Assurance (ICQA) self-certification returns (replacing the Stewardship Report) completed by budget holders in September 2013 and March 2014. In addition, there is assurance provided by the outsourced Shared Services Connected Limited (SSCL) on the accuracy, completeness and security of the data the directorate transacts AHVLA. From 1 November 2013, a Defra's Shared Services Directorate was outsourced into SSCL, following a joint venture agreement with Steria and the Cabinet Office. Although the intention is for SSCL to provide a Single Operating Platform across a number of Government bodies, for the time being the service provided to AHVLA has altered little.

During 2013/14, as a further control against fraud and bribery, all staff have been required to complete mandatory Counter Fraud training, as appropriate to their grade and responsibilities. I confirm that there have been no reported instances of fraud in the financial year.

The introduction of the Finance and Performance Committee as an additional support to the Board from November 2013 has further strengthened the governance of financial and performance management.

Performance Management

Staff performance management is conducted in line with the AHVLA Performance Management tool, which is available to all staff and management through the intranet, and all staff have access to an HR Business Partner should the need arise. It is the responsibility of all line managers to have regard to this in their dealings with their staff, and ensure that all levels of performance are treated appropriately.

Quality Management and the Quality Assurance Framework

The retention of ISO9001 certification across the science areas of the business and some supporting functions provides further assurance on the operation of business processes. In addition, following a programme of audits by UKAS against the ISO 17025 standard, accreditation of laboratory testing and associated veterinary opinions and interpretation has been extended until 2017. AHVLA has also maintained accreditation against Good Laboratory Practice and other Good Practice standards. A range of quality indicators have been included on the Internal Control and Quality Assurance statement process that has been introduced, following a successful pilot in 2013/14. A programme of quality and compliance audits, including audits of third party delivery partners, has also provided further assurance.

In addition, a number of other projects have been taken forward as part of implementing AHVLA's Quality Assurance framework.

Independent Audit

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

Internal Audit

Baker Tilly, who took over the internal audit function of RSM Tenon during the year, were the Agency's Internal Auditors for 2013/14 acting in accordance with the Government Internal Audit Standards. They provide an overall independent opinion on the adequacy and effectiveness of the Agency's internal controls based upon a Red to Green rating together with recommendations for improvement where necessary. They also produce an annual assurance statement concerning the overall control framework, confirming that internal audit assurance has been obtained through their review. During 2013/14 they have conducted the following audits:

Completed

Data Protection – Audit Opinion = Amber/Green
Health and Safety – Audit Opinion = Amber/Red
Project Management: Research & Development – Audit Opinion = Green
Project Management: Internal Change Benefits Realisation – Audit Opinion = Amber/Red
Regional Compliance Visits (Midlands) – Audit Opinion = Amber/Green
Regional Compliance Visits (North) – Audit Opinion = Amber/Green
Regional Compliance Visits (South East) – Audit Opinion = Amber/Green
Regional Compliance Visits (South West) – Audit Opinion = Amber/Green
Regional Compliance Visits (Scotland) – Audit Opinion = Green
Regional Compliance Visits (Wales) – Audit Opinion = Green
Regional Compliance Visits- Science (Weybridge) - Audit Opinion = Green
Commercial Income – Audit Opinion = Amber/Red
Health and Safety part 2 – Audit Opinion = Advisory
Follow up – Audit Opinion = Adequate progress
Risk Management Review – Audit Opinion = Amber
Governance – Audit Opinion = Amber
OV Expenditure and Sam – Audit Opinion = Amber/Green.

Based upon the evidence from these audits and additional information available to them for 2013/14 Baker Tilly have provided an overall Moderate opinion for AHVLA's arrangements for governance, risk management and control and indicated that, some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Although further work is required, the agency has made positive progress in 2013/14.

From 1 April 2014 the internal audit function will be provided by KMPG, under the overarching Defra contract for these services.

External Audit

The National Audit Office audits, on behalf of the C&AG, AHVLA's statutory accounts and provides both an independent challenge and assistance to the Agency in governance, finance and effectiveness. In addition the NAO have

completed one Departmental investigation, dealing with the arrangements in place by Defra to contract manage the facilities management contract to which AHVLA are a named party.

The report has made a number of recommendations which AHVLA are working with Defra to satisfy.

Risk Profile

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

However, as with any organisation, AHVLA also faces specific risks to its ability to operate efficiently and to deliver its objectives. The agency has a risk management policy and a hierarchical identification and management process that is supported by a commercially procured risk management tool. Under this approach risk registers are maintained at appropriate levels within the organisation with each register informing the next in the chain. Within this overall risk management framework there are risk registers associated with key areas of work, including H&S, the Information Security Forum and the BRP that feed into the overall risk view for the agency.

As a result of previously highlighted issues, I have established an action plan to address concerns over weaknesses within the process of linking risks at different levels, and therefore ensuring full visibility. I now have a small Corporate Governance team who facilitate the flow of identified risks within the agency hierarchy and highlight the emerging and aggregated risks that are identified at lower levels. Across the agency we are now focusing more upon a 'cause and effect' recognition when identifying risks and from a corporate level we are considering the effect of the most challenging risks from budgetary, efficiency, reputational and compliance perspectives. This revised approach will continue to develop further within 2014/15 but initially it has brought together at the executive level a set of key risks to the Agency associated to:

- Legislation - H&S, ASPA and MHRA
- Finance - Funding cuts and charging
- Security – Breach of security
- Disease Management
 - Resilience and the ability to react to a disease outbreak
 - Reputational damage as a result of external animal related incidents
- Staff Resourcing - Loss of expertise
- Supplier's - Delivery of OV services
- Information security – SAM project
- Information technology – IT infrastructure.

Risk Effectiveness

The approach to managing risks within AHVLA continues to mature, although further progress is required. There will need to be further development in 2014/15, in relation to increasing the understanding of the risks associated with the environment in which AHVLA operates. Public awareness of animal related events and projects during the year have highlighted the continued need for AHVLA to consider risks associated with both reputational damage and security as result of the work that it undertakes. I will ensure that this focus continues as I now consider that I have a basis for assessing AHVLA's risk appetite, for managing the risks and understanding the residual risks that the organisation faces.

The most significant risks relate to:

- **Financial Sustainability** - Allocation of budgets within current SR period. Delays in charging project and COLIN impacting on income/budget. Delay to procurements for S2014 impact on delivery model. In mitigation, the Agency has made senior appointments to strengthen the AHVLA Finance team. The Chief Executive is now SRO for the Charging Project, and early stakeholder engagement is taking place with industry and key partners. Agreement to proceed with an interim solution to on-line export certification Stakeholder and industry are supportive of this interim solution. Tenders and procurement of services for S2014 are to be delivered as quickly as possible.
- **Agency Expertise** - Loss of expertise through staff departing affects our ability to deliver objectives. In mitigation, training and knowledge transfer events are being undertaken and the HR Business partners are working with the business to identify key posts and carry out succession planning. The agency is participating in a new pay pilot.
- **Financial Sustainability and Resilience** - Budget challenge of £5.6m. Inability to maintain required resource to manage an outbreak. Uncertainty of the impact of agency Futures and ending of current funding arrangement with Scotland and Wales. Work continues agreeing minimum staff resource that is required to deliver service requirements in BAU and in a medium size exotic disease outbreak. Recruitment carried out for critical veterinary staff. AHVLA continue to work with Defra, Scotland and Wales to explore and agree their requirements and preferred delivery options and where efficiencies can be made. Senior Structure within the agency reviewed to ensure that it is flexible and adaptable and can fit future possible delivery models. On-going discussion with Defra on balancing the budget.

Looking forward, I believe that the approach to risk management that has been put in place better positions the agency to identify developing risks at an early point and to maintain an active role in horizon scanning and identifying and mitigating new risks. Further work in the arena of risk management will

only improve the position the agency finds itself in with regards this. The changes that I continue to introduce will allow the Executive Committee, Board and Audit Committee to be aware of the most challenging risks and to have confidence that appropriate efficient, effective and economic mitigation is in place.

Significant Issues

The agency's approach to managing risks has been developed during 2013/14, and will continue to be further developed in 2014/15. I have also highlighted the improvements made to improve the quality of information available to the Board.

The other significant issues that have previously been identified and work undertaken during 2013/14 to address these issues:

- During 2013/14 the agency was subject to a Crown Censure by the Health and Safety Executive as a consequence of a number of historical failings in 2011 – 2012. The failings related to the poor inactivation and transport of samples and inadequate management of the processes and equipment involved.

Health and Safety has been subsequently strengthened and the agency is now focussed on improving the health and safety culture throughout the organisation. As a consequence the agency has put in place a health and safety vision aspiring to be a high performing organisation. A strategy and plan is in place and on track to achieve the vision using key performance indicators to monitor progress. 6 strategic themes are in place to further improve standards and we have agreed our 'Health and Safety Behaviours and Actions' as the foundation of improving our culture.

During 2013 I appointed a Corporate Safety Advisor reporting to the Chief Executive and a Biorisk Advisor to support the Biorisk Manager. The Governance and meetings structure have been reviewed and 7 key policies have been put in place.

A new incident management system has been introduced to better enable reporting of incidents and ensure root causes are identified and lessons are shared and learnt across the agency.

HSE have recognised the progress that has been made during the year and we are broadly compliant in the areas subject to inspection during the year. We have no outstanding actions with HSE and they noted that there have been no reportable incidents in respect to our work with biological agents.

While there is still much to do in terms of consistency, achieving good and best practice, rooting out complacency and achieving high standards of performance, the direction of the agency is good and there are a number of indicators which support our progress this year.

- A current risk to the agency is the deficiencies in the contractual arrangements for services, primarily TB testing, provided by private vets, on whom AHVLA spends some £26m per year. The historical arrangements between AHVLA and the practices that carry out this work do not adequately specify the quality of the work required and sanctions for those providers who do not deliver to that quality.
- AHVLA worked with Defra to put together a specification of requirements to go out to tender for OV services. The Invitation to Tender was issued in summer 2014, with a view to the new contract being operational early 2015.

A separate contract for the training and accreditation of OVs has been successfully awarded to Improve International.

- The external audit of the 2013/14 financial statements has identified historical weaknesses in our accounting systems, records, processes and controls, and highlighted the impact of the loss of experienced finance staff. We will undertake work during 2014/15 to improve processes and controls particularly around journal posting, accounting and valuing inventories.

No further significant issues have arisen that require additional disclosure.

Conclusion

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

Chris Hadkiss
Chief Executive
15 October 2014

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 and Veterinary Laboratories Agency for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. 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 Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Animal Health and Veterinary Laboratories Agency's affairs as at 31 March 2014 and of the total comprehensive net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse
Comptroller and Auditor General**

16 October 2014

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

Financial Statements

AHVLA Statement of Comprehensive Net Expenditure For the year ended 31 March 2014

ADMINISTRATION COSTS	Note	2013/14 £'000	2012/13 £'000
Staff Costs	4	88,910	93,288
Other Administrative Costs			
Other Veterinarian Costs	5	26,068	24,957
Other Operating Costs	5	112,890	100,316
		<u>227,868</u>	<u>218,561</u>
Operating Income	7	(218,816)	(214,081)
		<u>(218,816)</u>	<u>(214,081)</u>
Net Operating Expenditure		9,052	4,480
Non-operating gain from Transfer of Function	2	(911)	-
Total Comprehensive Net Expenditure		<u>8,141</u>	<u>4,480</u>
OTHER COMPREHENSIVE EXPENDITURE	Note	2013/14 £'000	2012/13 £'000
Net loss on revaluation of Property, Plant and Equipment	17	3,508	3,697
Net loss / (gain) on revaluation of Intangible Assets	17	3,991	(1,166)
Total Comprehensive Expenditure for the year ended 31 March 2014		<u>15,640</u>	<u>7,011</u>

All income and expenditure is derived from continuing operations.

The notes on pages 62 to 89 form part of these financial statements.

AHVLA
Statement of Financial Position
As at 31 March 2014

	Note	2013/14 £'000	2012/13 £'000
Non Current Assets			
Property, Plant and Equipment	8	199,456	218,263
Intangible Assets	9	50,662	61,998
Total Non Current Assets		250,118	280,261
Current Assets			
Inventories	11	5,774	4,467
Trade and Other Receivables	12	24,895	21,483
Other Current Assets	12	31,391	28,756
Cash and Cash Equivalents	13	29,431	10,291
Total Current Assets		91,491	64,997
Total Assets		341,609	345,258
Current Liabilities			
Trade and Other Payables	14	(4,078)	(4,826)
Other Liabilities	14	(52,045)	(50,342)
Provisions	16	(2,745)	(1,880)
Total Current Liabilities		(58,868)	(57,048)
Total Assets less Net Current Liabilities		282,741	288,210
Non Current Liabilities			
Lease Obligations	15	(1,441)	(1,765)
Provisions	16	(25)	(25)
Total Non Current Liabilities		(1,466)	(1,790)
Total Assets less Liabilities		281,275	286,420
Taxpayers' Equity			
General Fund		236,163	233,454
Revaluation Reserve	17	45,112	52,966
Total Taxpayers' Equity		281,275	286,420

The notes on pages 62 to 89 form part of these financial statements.

Chris Hadkiss
Chief Executive Officer
15 October 2014

AHVLA
Statement of Cash Flows
For the year ended 31 March 2014

	Note	2013/14 £'000	2012/13 £'000
Cash flows from operating activities	18	21,117	9,772
Cash flows from investing activities	18	(11,653)	(11,170)
Cash flows from financing activities	18	9,676	(1,731)
Net increase/(decrease) in cash and cash equivalents in the period		19,140	(3,129)
Cash and cash equivalents at beginning of the period		10,291	13,420
Cash and cash equivalents at end of period	13	29,431	10,291

The notes on pages 62 to 89 form part of these financial statements.

AHVLA
Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2014

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2012		246,314	45,043	291,357
Transfer between reserves	17	(10,454)	10,454	-
Non-Cash Charges – notional charges	5	1,052	-	1,052
Non-Cash Adjustments		522	-	522
Total Comprehensive Net Expenditure for the Year		(4,480)	-	(4,480)
Net Gain/(Loss) on Revaluation of Assets		-	(2,531)	(2,531)
Net Parliamentary Funding	18	500	-	500
Balance at 31 March 2013		233,454	52,966	286,420
Transfer between reserves	17	356	(356)	-
Non-Cash Charges –notional charges	5	469	-	469
Non-Cash Adjustments		26	-	26
Total Comprehensive Net Expenditure for the Year		(8,141)	-	(8,141)
Net Gain/(Loss) on Revaluation of Assets		-	(7,499)	(7,499)
Net Parliamentary Funding	18	10,000	-	10,000
Balance at 31 March 2014		236,164	45,111	281,275

The notes on pages 62 to 89 form part of these financial statements.

NOTES TO THE ACCOUNTS

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury.

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

Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of AHVLA for the purpose of giving a true and fair view has been selected. The particular policies adopted by AHVLA are described below. They have been applied consistently over accounting periods, in dealing with items that are considered material to the accounts.

1.1 Accounting Conventions

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

Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is required to be analysed between administration and programme income. The agency is run on a net running cost basis and therefore the figures in the accounts of AHVLA are charged wholly to Defra's administrative budget with the exception of movement in provisions, which are considered to be annually managed expenditure and due to materiality this has not been analysed separately.

Significant Judgements and Estimation Uncertainty

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

In the process of applying the agency's accounting policies, management has made the following judgements and estimations, which have the most significant effect on the amounts recognised in the financial statements.

a. Key Judgements

Depreciation and Amortisation

The agency depreciates and amortises their non-current assets across deemed useful economic life as per Note 1.7.

b. Key Estimates

Indexation Rates

The Agency values non-current assets at current replacement cost as described in note 1.4 and 1.5. The agency uses indexation rates published by the Office for National Statistics as a basis for estimating current replacement cost.

Accrued Official Veterinarian Costs

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

Project Accruals and deferred income

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

1.2 Income Recognition

Income is credited to the Statement of Comprehensive Net Expenditure on an accruals basis when the work that generates that income is provided.

1.3 Funding Recognition

AHVLA follows the FReM requirement to recognise funding as being the Net Cash Requirement voted by Parliament, rather than the delegated proportion of the Department's Expenditure Limit. This is recognised within Taxpayers' Equity within the Statement of Financial Position.

1.4 Property, Plant and Equipment

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

AHVLA occupies both specialist laboratory and non-specialist administrative accommodation. Although ownership of both types of property lies with Defra,

as the agency derives direct economic benefit from the specialist accommodation, which allows for the charging of tests and research, these properties are included in the Statement of Financial Position of AHVLA. The split of this disclosure is made on a site by site basis and includes sites where the agency has enhanced a property originally held by Defra under the terms of an operating lease in order to bring that property to a condition fit for purpose for the agency's operations.

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

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

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

Freehold land and buildings are stated at fair value and are professionally revalued at least every 5 years at Depreciated Replacement Cost (DRC), in accordance with guidance issued by the Royal Institution of Chartered Surveyors (RICS), the last revaluation having taken place in 2012, which covered all freehold land and buildings with a value greater than £1m. Properties are revised annually by means of a desk top review undertaken by DTZ Limited, where every valuation is reviewed having regard to local and national indices and local knowledge. This professional independent valuation adheres to the principles outlined in the RICS Red Book. The only exception to this revaluation are the properties that are occupied as part of an operating lease through Defra, and where the agency has invested considerably over time to bring that property to a fit for purpose condition.

Non property tangible assets are valued monthly at current replacement cost, which equates to fair value, by using appropriate indices provided by the Office for National Statistics. Any permanent upward revaluation is credited to the Revaluation Reserve. A deficit on revaluation is debited to the Statement of Comprehensive Net Expenditure if the deficit exceeds the balance held for previous revaluations of the relevant asset in the Revaluation Reserve.

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

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

1.5 Intangible Non-Current Assets

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

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

Costs related to internally generated assets are classified as relating to either research or development phases. The agency's expenditure on research activities is written off to the Statement of Comprehensive Net Expenditure as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. Capitalisation of development costs is contingent on fulfilment of all of the criteria noted in International Accounting Standard (IAS) 38 (Intangible Assets).

1.6 Service Concession Arrangements (IFRIC 12)

Through Defra, AHVLA has entered into a contract with IBM for the supply of IT services. The contract is for a term of eight years from February 2010. The contract falls within the scope of IFRIC 12 as interpreted by the FReM and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value of payments to IBM to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the agency will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the Agency's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

1.7 Depreciation and Amortisation

All non-current 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:

Buildings	5 - 60 years
Office Equipment and Furniture	5 - 15 years
IT Assets	2 - 20 years

Plant and Motor Vehicles	5 - 15 years
Scientific Equipment	5 - 10 years

A full month's depreciation is charged to the Statement of Comprehensive Net Expenditure in the month following acquisition and in the month of disposal. Amortisation of Intangible Assets commence when the developed asset is fully brought into use and is based on a systematic allocation over the period during which the agency is expected to benefit from the use of the intangible asset. Asset lives are typically in the range of 1-15 years. The agency does not hold any intangible assets with an indefinite useful life.

1.8 Impairment

Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount.

In line with an adaptation in the FReM, any permanent diminution in the value of an asset due to clear consumption of economic benefit or service potential will be recognised in full as an impairment loss in the Statement of Comprehensive Net Expenditure. However, in order to align the balance in the Revaluation Reserve with that which would have resulted through strict application of IAS 36, Impairment of Assets, an amount up to the value of the impairment is transferred to the General Fund for the individual asset concerned.

Downward revaluations, resulting from changes in market value, only result in impairment where the asset is revalued below its historical cost carrying amount. In these cases the accounting treatment is as for any other impairment, with amounts being firstly set against any accumulated balance in the revaluation reserve, and any amount in addition to this being recognised as impairment and recorded in the Statement of Comprehensive Net Expenditure.

1.9 Inventories

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

1.10 Value Added Tax (VAT)

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

1.11 Cash and Cash Equivalents

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

1.12 Hard Charges / Notional Charges

Defra centrally provides a number of services through hard or notional charges. The value of both hard and notional charges is determined by Defra. Further details are provided in Note 5.

1.13 Employee Benefits

a. Pensions

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

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

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

In respect of the defined contribution schemes, the agency recognises the contributions payable for the year.

b. Other Employee Benefits

The agency recognises a liability and expense for all employee benefits, including unused annual leave accrued at the Statement of Financial Position date, provided these amounts are material in the context of the overall staff costs.

c. Early Departure Costs

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

1.14 Financial Instruments

The agency holds a range of financial instruments, aggregated into classes based on their nature. The majority of these relate to contracts for non-financial items in line with the agency's expected purchase and usage requirements and the agency is therefore exposed to little credit, liquidity or market risk. As a result of the low risk there is no requirement to disclose in terms of IFRS 7, Financial Instruments: Disclosures.

1.15 Provisions, Contingent Liabilities and Assets

In accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, AHVLA 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. Where material, the future costs have been discounted using the rate of 2.2% (2012/13 2.2%) as directed by HM Treasury.

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

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

1.16 Leases

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

The agency has no finance leases, other than the service concession arrangements referred to in Note 1.6.

All payments under operating leases are charged to the Statement of Comprehensive Net Expenditure as they are incurred. Operating lease incentives are accounted for on a straight line basis over the length of the lease. The determination of a lease is based upon the substance of that arrangement – whether the arrangement is dependent upon the use of a specific asset and conveys the right to use that asset.

1.17 Research and Development

Research expenditure is written off as incurred but Development work is capitalised on internally generated IT Software, providing it meets the criteria noted in International Accounting Standard (IAS) 38 Intangible Assets.

1.18 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into sterling using the rate of exchange at the Statement of Financial Position date, or where appropriate, the rate of exchange fixed under the terms of the relevant transaction. Transactions in foreign currencies are translated into sterling using the rate at the date of the transaction. Differences on translation are written off to the Statement of Comprehensive Net Expenditure.

1.19 Impending Application of Newly Issued Accounting Standards Not Yet Effective

At the date of authorisation of these financial statements, the following standards relevant to the agency are not yet applied and not expected to have an impact:

IAS 1 Presentation of Financial Statements (Other Comprehensive Income);
IAS 27 Separate Financial Statements;
IFRS 9 Financial Instruments, Classification and Measurement; and
IFRS 13 Fair Value Measurement.

2 Non Operating Gain from Transfer of Function

With effect from 1 April 2013 the activities of the Wildlife Function together with the assets and liabilities at that date, were transferred from Fera to AHVLA. The value of these assets has a net benefit to AHVLA of £911,000.

3 Operating Segments

a. Income and Expenditure

2013/14	Income £'000	Expenditure £'000	Surplus/(Deficit) £'000
Field Operations	87,332	85,855	1,477
Science	25,119	26,183	(1,064)
Veterinary	1,718	1,950	(232)
VSPA	6,745	6,875	(130)
Wildlife	7,580	7,617	(37)
Corporate Centre, Hard Charges, Depreciation and Amortisation	90,322	89,056	1,266
	218,816	217,536	1,280
Revaluation deficits not covered by previous revaluation surpluses and increases in provisions	-	10,332	(10,332)
Totals	218,816	227,868	(9,052)

The table summarises the Management Accounts received by the AHVLA during the course of 2013-14 and is split in terms of operations and the different types of funding.

b. Gross Assets

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

c. Interest

The agency had no interest revenue or expense.

d. Liabilities

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

4 Staff Numbers and Related Costs

	2013/14 £'000	2012/13 £'000
Salaries	65,666	67,079
Employer's National Insurance Contributions	5,107	5,294
Employer's Pension Contributions	12,152	12,561
	82,925	84,934
Contractor Costs	2,899	5,406
Staff Exit Costs	2,309	3,202
Staff Leave Accrual	777	(254)
	88,910	93,288

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

In addition to the costs shown above, Contractor Costs of £1,137k (2012/13: £1,439k) have been capitalised. These are included within the additions to IT Software and Assets in the Course of Construction shown in Note 9 – Intangible Assets.

Under IAS 19, Employee Benefits, an accrual has been established for the employee benefits payable in the next 12 months.

a. Pension Contributions

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

For 2013/14, employers' contributions of £11,926k were payable to the PCSPS (2012/13: £12,345k) at one of four rates in the range 16.7% to 24.3%

of pensionable pay based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2010/11 and will remain unchanged until 2014/15. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension or a stakeholder pension with an employer contribution. Employers' contributions of £198k (2012/13: £200k) were paid to appointed stakeholder pension providers. Employer contributions are age related and range from 3.0% to 12.5% of pensionable pay. AHVLA also match employee contributions up to 12.5% of pensionable pay. In addition, employer contributions of £12k (2012/13: £nil) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirements of these employees. Contributions due to the partnership pension providers at the 31 March 2014 were £16k (2012/13: £16k). Contributions prepaid at 31 March 2014 were £nil (2012/13: £nil).

Two members of staff (2012/13: none) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2012/13: £nil).

b. Average Number of Full Time Equivalent Staff

	2013/14 FTE	2012/13 FTE
Science Staff	534	601
Veterinary Staff	320	336
Technical Staff	279	291
Administrative and Managerial Staff	926	1,024
	2,059	2,252
Permanent	2,028	2,210
Fixed Term Contracts	24	25
Casual and Temporary	7	17
	2,059	2,252

The remuneration and emoluments of the AHVLA Board are set out in the Remuneration Report within the Annual Report and Accounts.

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

During the year 46 (2012/13: 74) employees left AHVLA under early release schemes with a further 24 agreeing to do so by 31 March 2015 (2014: 17). The details are as per the table below.

Exit Package Cost Band	Total number of exit packages by cost band 2013/14	Total number of exit packages by cost band 2012/13
<£10,000	6	4
£10,000 - £25,000	27	29
£25,000 - £50,000	27	43
£50,000 - £100,000	8	12
£100,000 - £150,000	2	2
£150,000 - £200,000	-	1
Total number of exit packages by type	70	91
Total resource cost (£'000)	2,309	3,202

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the employer has agreed early retirements, the additional costs are met by the employer and not by the Civil Service Pension Scheme. Any ill-health retirement costs are met by the pension scheme and are not included in the table.

There was one compulsory redundancy during 2013/14 (2012/13: 4), and that is included within the above table.

5 Other Administrative Costs

	2013/14 £'000	2012/13 £'000
Official Veterinarian Costs	26,068	24,957
Operating Costs		
Veterinary and Laboratory consumables	6,366	12,553
Office Services	12,246	10,683
IT Costs	5,421	1,475
Travel and Subsistence	4,867	3,861
Accommodation and Utilities	2,612	1,344
Training	658	505
Recruitment	446	284
Loss and Disposal of Non-Current Assets	384	161
Disease Eradication Costs	-	20
	33,000	30,886
Hard Charges		
Estates Management and Accommodation Services	27,383	22,975
IT Services	13,434	12,978
Accounting and HR Services	3,562	3,423
Procurement and Contract Services	209	110
Internal Audit	82	101
Legal Services	150	132
	44,820	39,719
Notional Charges		
Next Generation HR	-	626
Defra Investigations Services	229	226
External Audit	240	200
	469	1,052
Non Cash Costs		
Depreciation and Amortisation	20,913	20,666
Revaluation Deficits & Impairments	13,688	7,993
	34,601	28,659
	112,890	100,316

Official Veterinarians are qualified veterinarians in private practice who undertake work on behalf of AHVLA. The charge against operating costs for the year ended 31 March 2014 is based on activity undertaken by Official Veterinarians and paid for during the year together with:

- Activity carried out in the year but not paid for at the year-end for which test results forms had been received; and

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

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

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

The estimated value of non-specialised freehold property owned by Defra but occupied by AHVLA is £8,691k (2012/13: £4,221k).

Within Estates Management and Accommodation Services £1,469k (2012/13: £1,930k) relate to facilities management costs associated with the proportion of occupation of buildings that are either owned or leased by Defra or specialised properties held on the Agency's Statement of Financial Position. The commitments are consistent with arrangements containing a lease as defined by IFRIC 4, Determining Whether an Arrangement Contains a Lease.

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

Notional charges include the services of Defra Investigation Services. The External Audit fee includes the Comptroller & Auditor General audit fee of £240k for the audit of the 2013-14 financial statements (2012-13: £200k). No remuneration was paid to the auditors for non-audit work.

6 Interest Payable and Similar Charges

AHVLA incurred no charges for interest or similar charges during 2013/14 (2012/13: £nil).

7 Income

Analysis by Customer	2013/14 £'000	2012/13 £'000
Defra	(165,815)	(159,910)
Other Government Departments	(39,503)	(38,196)
UK Commercial & External	(8,766)	(7,764)
EU Commercial	(2,596)	(5,067)
Overseas Commercial	(2,136)	(3,144)
Total	(218,816)	(214,081)

Analysis by Service Line	2013/14 £'000	2012/13 £'000
Compliance and Surveillance	(75,493)	(80,372)
Research and Development	(26,028)	(17,744)
Diagnostic Testing	(3,758)	(2,860)
Scientific Products	(867)	(925)
Communications and Engagement	(22,421)	(20,810)
Disease Incident Intervention	(53,145)	(54,498)
Approvals	(8,059)	(8,385)
Other	(29,045)	(28,487)
Total	(218,816)	(214,081)

8 Property, Plant and Equipment

2013/14	Land	Buildings	Scientific Equipment	Office Equipment and Furniture	Plant and Motor Vehicles	IT Assets	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation								
1 April 2013	16,874	205,757	34,084	6,156	4,552	11,382	838	279,643
Transfer from Fera-Wildlife	-	-	633	-	348	1	-	982
Additions	-	6,372	95	4	42	22	775	7,310
IBM Asset Movement	-	-	-	-	-	(465)	-	(465)
Transfers	-	793	-	-	-	-	(793)	-
Disposals	(110)	(23)	(5,989)	(123)	(97)	(448)	-	(6,790)
Impairment	-	(5,144)	-	-	-	-	-	(5,144)
Revaluation	816	(10,371)	(3,004)	(850)	(466)	(935)	-	(14,810)
31 March 2014	17,580	197,384	25,819	5,187	4,379	9,557	820	260,726
Depreciation								
1 April 2013	(5)	(21,247)	(24,123)	(4,623)	(2,458)	(8,924)	-	(61,380)
Transfer from Fera-Wildlife	-	-	(272)	-	(245)	(1)	-	(518)
Charged	-	(5,600)	(1,741)	(416)	(347)	(76)	-	(8,180)
IBM Asset Depreciation	-	-	-	-	-	(318)	-	(318)
Transfers	-	-	-	-	-	-	-	-
Disposals	5	-	5,669	115	95	448	-	6,332
Impairment	-	464	-	-	-	-	-	464
Revaluation	-	(5)	1,168	447	241	479	-	2,330
31 March 2014	-	(26,388)	(19,299)	(4,477)	(2,714)	(8,392)	-	(61,270)
Net Book Value 31 March 2014	17,580	170,996	6,520	710	1,665	1,165	820	199,456
31 March 2013	16,869	184,510	9,961	1,533	2,094	2,458	838	218,263
Asset Financing:								
Owned	17,580	170,996	6,520	710	1,665	89	820	198,380
Service Concession Arrangements	-	-	-	-	-	1,076	-	1,076
Net Book Value at 31 March 2014	17,580	170,996	6,520	710	1,665	1,165	820	199,456

DTZ Limited undertook a professional valuation of land and buildings during the year ended 31 March 2014. The valuation increased the value of land and decreased the value of buildings which are reflected in the above values as at 31 March 2014 of which £48k (2012/13: £9,090k) was charged to Revaluation Reserve and £9,555k (2012/13: £9,410k) to the Statement of Comprehensive Net Expenditure. This revaluation was carried out by DTZ using the depreciated replacement cost method, taking into account both current and expected future economic conditions.

2012/13	Land	Buildings	Scientific Equipment	Office Equipment and Furniture	Plant and Motor Vehicles	IT Assets	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation								
1 April 2012	17,488	204,858	29,385	5,787	4,377	12,005	11,412	285,312
Additions	-	5,278	1,906	-	68	100	838	8,190
IBM Asset Movement	-	-	-	-	-	(1,383)	-	(1,383)
Transfers	-	11,412	-	-	-	(341)	(11,412)	(341)
Disposals	-	(3)	(1,331)	(193)	(317)	(2)	-	(1,846)
Impairment	(700)	(17,800)	-	-	-	-	-	(18,500)
Revaluation	86	2,012	4,124	562	424	1,003	-	8,211
31 March 2013	16,874	205,757	34,084	6,156	4,552	11,382	838	279,643
Depreciation								
1 April 2012	(5)	(15,673)	(21,666)	(4,094)	(2,265)	(7,895)	-	(51,598)
Charged	-	(5,579)	(1,713)	(553)	(313)	(161)	-	(8,319)
IBM Asset Depreciation	-	-	-	-	-	(617)	-	(617)
Transfers	-	-	-	-	-	257	-	257
Disposals	-	-	1,264	169	280	2	-	1,715
Impairment	-	-	-	-	-	-	-	-
Revaluation	-	5	(2,008)	(145)	(160)	(510)	-	(2,818)
31 March 2013	(5)	(21,247)	(24,123)	(4,623)	(2,458)	(8,924)	-	(61,380)
Net book Value 31 March 2013	16,869	184,510	9,961	1,533	2,094	2,458	838	218,263
31 March 2012	17,483	189,185	7,719	1,693	2,112	4,110	11,412	233,714
Asset Financing								
Owned	16,869	184,510	9,961	1,533	2,094	599	838	216,404
Service Concession Arrangement	-	-	-	-	-	1,859	-	1,859
Net Book Value 31 March 2013	16,869	184,510	9,961	1,533	2,094	2,458	838	218,263

9 Intangible Assets

2013/14	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
Cost of Valuation				
1 April 2013	230	140,066	6,466	146,762
Transfers from Fera – Wildlife	-	2	-	2
Additions	-	-	5,234	5,234
Transfers	-	-	-	-
Disposals	(150)	(9,906)	(301)	(10,357)
Revaluation	2	(10,664)	-	(10,662)
31 March 2014	82	119,498	11,399	130,979
Amortisation				
1 April 2013	(196)	(84,568)	-	(84,764)
Transfers from Fera – Wildlife	-	(2)	-	(2)
Charged	(3)	(12,412)	-	(12,415)
Transfers	-	-	-	-
Disposals	150	9,906	-	10,056
Revaluation	(6)	6,814	-	6,808
31 March 2014	(55)	(80,262)	-	(80,317)
Net Book Value				
31 March 2014	27	39,236	11,399	50,662
31 March 2013	34	55,498	6,466	61,998

2012/13	Software Licences	IT Software	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost of Valuation				
1 April 2012	58	121,962	4,324	126,344
Additions	-	-	4,398	4,398
Transfers	170	2,361	(2,190)	341
Disposals	-	-	(66)	(66)
Revaluation	2	15,743	-	15,745
31 March 2013	230	140,066	6,466	146,762
Amortisation				
1 April 2012	(23)	(59,591)	-	(59,614)
Charged	(3)	(11,727)	-	(11,730)
Transfers	(170)	(87)	-	(257)
Disposals	-	-	-	-
Revaluation	-	(13,163)	-	(13,163)
31 March 2013	(196)	(84,568)	-	(84,764)
Net Book Value				
31 March 2013	34	55,498	6,466	61,998
31 March 2012	35	62,371	4,324	66,730

10 Financial Instruments

As the cash requirements of the AHVLA are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the agency is therefore exposed to little credit, liquidity or market risk. Accordingly no disclosure is deemed necessary.

11 Inventories

	31 March 2014 £'000	31 March 2013 £'000
Veterinary & Laboratory Consumables	895	843
Raw materials	1,144	1,064
Finished goods	4,413	2,825
Obsolescence provision	(678)	(265)
Total	5,774	4,467

12 Trade Receivables and Other Current Assets

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due within one year:		
Trade receivables	24,488	21,169
Other receivable	407	314
Trade and Other Receivables	24,895	21,483
Other Current Assets		
Deposits and advances	13	18
Prepayments and accrued income	31,378	28,738
	31,391	28,756
As at 31 March	56,286	50,239

Trade receivables and other current assets include £42,612k due from other UK government bodies (2013: £46,242k), £1k from local authorities (2013: £nil) and £51k from other public bodies (2013: £26k).

13 Cash and Cash Equivalents

	31 March 2014 £'000	31 March 2013 £'000
Government Banking Service	29,431	10,291

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

14 Trade Payable and Other Current Liabilities

	31 March 2014 £'000	31 March 2013 £'000
Trade and Other Payable		
Trade payables	(705)	(979)
Other payables	(648)	(886)
Payroll payables	(2,725)	(2,961)
	(4,078)	(4,826)
Other Liabilities		
Accruals and deferred income	(51,099)	(49,887)
Other taxation	(946)	(455)
	(52,045)	(50,342)
Provisions	(2,745)	(1,880)
As at 31 March	(58,868)	(57,048)

Trade payables and other current liabilities due within one year include £32,697k due to other UK government bodies (2013: £24,294k), £7k due to other public bodies (2013: £5k), and £nil due to Local Authorities (2013: £nil).

Included within other payables is the current liability of £543k to pay for the "Right of Use" assets to IBM (2013: £500k).

15 Lease Obligations

	31 March 2014 £'000	31 March 2013 £'000
Not later than one year	543	500
Balance in Current Liabilities	543	500
Later than one year and not later than five years	1,441	1,765
Later than five years	-	-
Balance in Non Current Liabilities	1,441	1,765
Balance at 31 March	1,984	2,265

Lease obligations arise from the adoption of IFRIC 12 Service Concession Arrangements in respect of IBM Right of Use Assets and IBM who provide the valuation of the asset have also provided Defra with a lease charge applicable to the whole contract including Core Defra, its agencies and Non

Departmental Public Bodies. This has been allocated to AHVLA on the basis of the headcount within the organisation as a percentage of the total.

16 Provisions for Liabilities and Charges

	Early Departure Costs £'000	Taxation £'000	Other £'000	Property Related Provision £'000	Total £'000
At 1 April 2012	442	90	102	828	1,462
Provided in the year	23	3	82	922	1,030
Provisions not required written back	-	-	(42)	(3)	(45)
Provisions utilised in the year	(412)	(90)	-	(40)	(542)
At 31 March 2013	53	3	142	1,707	1,905
Provided in year	-	-	240	1,118	1,358
Provisions not required written back	-	-	(140)	(130)	(270)
Provisions utilised in the year	-	-	(2)	(221)	(223)
At 31 March 2014	53	3	240	2,474	2,770
Balance in Current Liabilities					
Not later than one year	28	3	240	2,474	2,745
Balance in Current Liabilities	28	3	240	2,474	2,745
Balance in Non Current Liabilities					
Later than one year and not later than five years	25	-	-	-	25
Later than five years	-	-	-	-	-
Balance in Non Current Liabilities	25	-	-	-	25
At 31 March 2014	53	3	240	2,474	2,770

Property Related Provisions

Following advice that AHVLA will be responsible for future dilapidations on specialist building areas, (where the agency has to return premises to their original condition upon leaving) and for the removal of asbestos identified in occupied property, a comprehensive review of our future plans for occupied properties identified an additional provision of £1,118k (2012/13: £922k) in respect of properties that the agency would be vacating in 2014/15 and the short term future. The balance of £2,474k comprises dilapidations of £2,114k (2012/13: £1,246k) and asbestos of £360k (2012/13: £461k).

Taxation

The taxation provision has altered during the year as from 1 May 2012 the agency ceased to pay equipment supplement without the correct tax dispensation. Defra agreed to pay the amount that was provided for the previous financial year.

Other

A provision of £240k (2012/13: £138k) has been made to provide for emerging litigation issues.

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

17 Reserves

Revaluation Reserve	Tangible Assets £'000	Intangible Assets £'000	Total £'000
Balance at 1 April 2012	38,978	6,065	45,043
Net loss on revaluation of property, plant and equipment	(3,697)	-	(3,697)
Net gain on revaluation of intangible assets	-	1,166	1,166
Transfers between reserves	2,512	7,942	10,454
In Year Movement	(1,185)	9,108	7,923
Balance at 31 March 2013	37,793	15,173	52,966
Net loss on revaluation of property, plant and equipment	(3,508)	-	(3,508)
Net loss on revaluation of intangible assets	-	(3,991)	(3,991)
Transfers between reserves	(1,375)	1,020	(355)
In Year Movement	(4,883)	(2,971)	(7,854)
Balance at 31 March 2014	32,910	12,202	45,112

18 Net Cash Flow

	2013/14 £'000	2012/13 £'000
Cash flows from operating activities		
Net Operating Expenditure	(9,052)	(4,480)
Adjustments for non-cash transactions	35,070	29,711
Loss on disposal of non current assets	384	161
Increase in Trade and Other Current Assets	(6,047)	(565)
Increase in Inventories	(1,307)	(350)
Increase/(Decrease) in Trade & Other Capital Payables & Other Current Liabilities	955	(15,672)
Use of Provisions	1,088	443
Net Operating Costs excluding Notional and Non-Cash Costs	21,091	9,250
Non-Cash Adjustments	26	522
Net cash inflow from operating activities	21,117	9,772
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,310)	(8,190)
Purchase of intangible assets	(5,234)	(4,398)
<i>IFRIC 12</i> IBM asset Movement	465	1,383
Proceeds from the disposal of non current assets	426	35
Net cash outflow from investing activities	(11,653)	(11,170)
Cash flows from financing activities		
Net cash requirement received from Defra	10,000	500
Decrease in non current lease obligations	(324)	(2,231)
Net Financing	9,676	(1,731)
Change in Cash and Cash Equivalents		
At 1 April 2013	10,291	13,420
Increase/(Decrease) in cash	19,140	(3,129)
At 31 March 2014	29,431	10,291

19 Capital Commitments

	2013/14 £'000	2012/13 £'000
Property, Plant & Equipment Intangible Assets	825	1,110
Total	825	1,110

20 Commitments Under Operating Leases

	2013/14 £'000	2012/13 £'000
Leasehold property operating lease payments due in:		
No later than one year	1,131	1,402
Later than one year and not later than five years	2,395	2,898
Later than five years	2,209	4,246
Total	5,735	8,546

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

Of the above £1,544k (2012/13: £410k) related to Land and £4,191k related to Buildings (2012/13: £8,136k).

21 Obligations under Service Concession Arrangements

	2013/14 £'000	2012/13 £'000
Obligations under service concession arrangements due in:		
No later than one year	15,006	15,156
Later than one year and not later than five years	41,518	56,392
Later than five years	-	-
Total	56,524	71,548

AHVLA as an Executive Agency of Defra has entered into a service concession arrangement with IBM that covers the whole Department. It aims to support the Agency by providing a modernised IT infrastructure; in line with the wider government IS strategy, which will give the Department access to cost effective IT services and infrastructure. All service concession assets are classed as one tangible IT service concession asset.

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

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

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for this clause is on a sliding scale depending on several factors, including time left on the contract. AHVLA is committed to meet the remainder of the payments to IBM that relate to the service element of the contract referred to in Note 1.6. Amounts payable are as the above table.

22 Other Financial Commitments

	2013/14 £'000	2012/13 £'000
Facilities management costs relating to Defra Leasehold, Specialised and Freehold Properties due in:		
No later than one year	11,937	11,015
Later than one year and not later than five years	46,239	42,305
Later than five years	57,799	63,458
Total	115,975	116,778

Other financial commitments relate to ICT service charges relating to Defra's agreement with IBM that do not qualify as service concession arrangements, and facilities management costs associated with the proportion of occupation of buildings that are either owned or leased by Defra or specialised properties held on the Agency's Statement of Financial Position. The commitments are consistent with arrangements containing a lease as defined by IFRIC 4 Determining Whether an Arrangement Contains a Lease.

23 Contingent Liabilities

There were no contingent liabilities at 31 March 2014 (2012/13: £nil).

24 Losses and Special Payments

	2013/14	2012/13
Cases	132	89
Cost (£'000)	115	144

Of the above £nil (nil instances) (2012/13: £nil (nil instances)) related to stores losses, with the remainder relating to cash losses and special payments.

25 Related Party Transactions

AHVLA is an Executive Agency of Defra and is also a supplier of services to Defra. During the period ended 31 March 2014 Defra provided AHVLA with remuneration for services and provided a number of services to AHVLA. In addition AHVLA had a number of operational transactions with the Department's other Executive Agencies, (the Food and Environment Research Agency, the Rural Payments Agency, and the Veterinary Medicines Directorate), and with other Government bodies, notably the Scottish Government, the Welsh Government, the Food Standards Agency and the Meat Hygiene Service.

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

The agency keeps a fully updated Register of Interests.

26 Events after the Reporting Period

On 1 October 2014, as a result of the "One Business" Agency Futures Review Work-Stream, the Bee Inspectorate, the Plant Health and Seeds Inspectorate, the Plant Variety and Seeds Group and the GM Inspectorate of Fera merged with AHVLA to create the new Animal and Plant Health Agency.

The existing function of AHVLA will continue within the merged agency, under the authority of the current Accounting Officer, and the going concern basis of the accounts therefore remains appropriate.

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

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