Veterinary
Medicines
Directorate

Veterinary Medicines Directorate Annual Report & Accounts

2014/15

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

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Veterinary Medicines Directorate

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

Annual Report and Accounts 2014/15

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Chief Executive's Foreword

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

The VMD had a very successful year, delivering the business plan, with in-year savings and reduced costs to industry and the taxpayer, while maintaining pharmaceutical industry services independently assessed as excellent, decreased short-term sickness absence, and the 8th highest staff engagement index out of 101 bodies in the Civil Service. We have retained whole business ISO 9001 certification, and renewal of ISO 27001 for IT security standards.

The proposals for new European Regulations on Veterinary Medicinal Products, Residues and Veterinary Checks, and Medicated Feedingstuffs remained the major policy issues this year. We have maintained consultation within Government, Devolved Administrations, relevant professions and Industry in order to develop a UK position, and have participated in appropriate EC Committees and made direct interactions to present that view. Related to these policy issues is the current high profile of antibiotic resistance, and in response the VMD has reviewed practices and actions in the UK, completed actions of the first year of the joint National strategy with the Department of Health, and is leading on the issue across Member States by chairing the Heads of Medicines Agency Taskforce on veterinary antimicrobials. The results of a European wide survey designed to identify antibiotic choices made by veterinarians in Europe for different animal infections has been published. This will help inform responsible use policies and help inform the development of a European surveillance programme for monitoring resistance trends in veterinary pathogens.

Our intent for the coming year is to ensure that new ways of working are fully embedded, further efficiencies and improvements are identified which translate into reduced costs for industry and government, partnership working is expanded, and regulatory burden is further reduced.

S. P. Borriello

Professor SP Borriello
Chief Executive
29 May 2015

Strategic report

About the Veterinary Medicines Directorate

Aim

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

Vision

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

Operating Framework

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

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

We divide our work into three main components:

Veterinary Pharmaceutical Industry: the assessment of applications; issuing and maintenance of Marketing Authorisations including pharmacovigilance; the licensing of manufacturers and wholesale dealers of veterinary medicines; and inspection of manufacturers, wholesale dealers and retailers of veterinary medicines. The main customers are Marketing Authorisation holders; manufacturers and importers of veterinary medicines; manufacturers of medicated animal feedingstuffs; retailers of veterinary medicines and medicated animal feedingstuffs; the veterinary profession; other stakeholders including farmers and keepers of animals; the European Medicines Agency[1] (EMA); Department of Health[2] (DH); Food Standards Agency[3] (FSA) and consumers.

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

Government: servicing, developing and implementing new policy/legislation on all aspects of veterinary medicines; providing support to Ministers through briefing and advice on replies to correspondence and Parliamentary Questions; surveillance for residues of veterinary medicines

[1] You can find out more about the EMA via www.ema.europa.eu
[2] You can find out more about the DH via www.gov.uk/government/organisations/department-of-health
[3] You can find out more about the work of the FSA via www.food.gov.uk

and banned substances in imported animal products; and day-to-day management of the veterinary medicines Research and Development (R&D) programme on behalf of Defra. The VMD works closely with Ministers and officials of Defra and other government departments and Agencies including the FSA, the general public, industry, consumer representative groups, the European Commission, embassies and other representatives of foreign governments.

Responsibilities

The VMD's main responsibilities are:

- to lead on the UK government policy for the regulation of veterinary medicines and antimicrobial resistance in animals
- the assessment, issue and maintenance of all national Marketing Authorisations (MAs) for veterinary medicines in accordance with EC and UK legislation
- acting as Reference Member State (RMS), Rapporteur, Co-Rapporteur or Concerned Member State (CMS) for designated European applications for centralised, decentralised or mutual recognition authorisations
- controls on the manufacture and distribution of veterinary medicinal products including inspections
- enforcement of the Veterinary Medicines Regulations
- pharmacovigilance through the surveillance of Suspected Adverse Reactions (SARs)
- surveillance for residues of veterinary medicines and illegal substances in animals and animal products
- the provision and implementation of policy advice on these matters to Ministers
- the management of the Research and Development programme linked to veterinary medicine issues
- the co-ordination of Defra's work on antimicrobial resistance via the Defra Antimicrobial Resistance Co-ordination (DARC) Group[4]

About the strategic report

This strategic report outlines our performance against our priorities for the financial year from 1 April 2014 to 31 March 2015. It gives examples of how we are achieving our aims and highlights important events from the year. It follows the structure of our business/corporate plan for 2014/15 to 2018/19 to show how we are meeting our objectives.

Our performance

The Secretary of State for Defra announced our targets to Parliament on 15 July 2014. These provide a framework of actions in which the VMD can provide the best possible service to all its customers.

[4] You can find out more about the DARC Group at www.gov.uk/government/groups/defra-antimicrobial-resistance-coordination-darc-group

Business Priority 1 - Policy:

Policy Lead on behalf of Defra for Veterinary Medicinal Products and Antimicrobial resistance

Why are we doing this? The VMD has overall responsibility in the UK for veterinary medicines policy and animal health aspects of antimicrobial resistance in England in the broader context of Defra's animal health and welfare responsibilities and the contribution this makes to safeguarding public health.

Policy work over the year had a number of key strands. The publication in September of the EU Commission's proposals to reform the legislative framework on veterinary medicines and medicated feed initiated negotiations which will last a number of years. The proposals themselves were proportionate and broadly aligned with UK objectives. On antimicrobial resistance (AMR), the VMD worked closely with key stakeholders in the food chain and veterinary profession in implementing the animal health aspects of the Government's 5-year strategy, notably: securing agreement from the livestock sectors to collect and publish antibiotic usage data; initiating development of an in-house antibiotic data hub; publication of strengthened guidance about on-farm use of medicines and new guidance on off-label use of critically important antibiotics; publication of the second combined veterinary antimicrobial resistance and sales surveillance report. We launched a consultation on streamlining the framework for authorising clinical trials, a commitment made in response to the Government's Red Tape Challenge.

Business Priority 2 - Delivery:

A) Facilitate wider availability of veterinary medicines

Why are we doing this? We authorise veterinary medicines. Our work creates an environment that provides confidence and investment within the medicines industry and enables exports. It protects the food chain, human and animal health as well as the environment. It also ensures that unsafe medicines can be identified and appropriate corrective action taken or, where appropriate, removed from the market.

The expectations for the VMD's performance (time and quality) in terms of handling applications, inspections and pharmacovigilance matters are set out in the published standards. The overall performance against published standards corresponded to 97.8% so meeting the criteria defined as excellent. Of 61 individual parameters 59 of these met the "excellent" performance standard. The independent Veterinary Products Committee (VPC) rated the quality of the VMD initial assessments for Marketing Authorisation applications as level 1, the highest level, confirming that the VMD properly identified potentially serious risks to human and animal health and the environment and that questions were comprehensive, clear and justified.

B) Surveillance, research and enforcement activities that influence the responsible, safe and effective use of veterinary medicines

Why are we doing this? To detect unsafe products or activities and to take corrective action so ensuring confidence in veterinary medicines, assisting competitiveness, aiding consumer confidence, assisting with safety and helping to ensure medicines, in particular antibiotics, are used responsibly so they continue to be effective to treat animals and humans.

Work went to plan for this target and success is shown by the continuing low number of positive residue samples found and the absence of any significant trends in adverse events reported following use of veterinary medicines that required immediate action.

Enforcement activity included:

- seven Seizure Notices issued where illegal medicines were seized
- 1,224 internet product listings removed for illegal sale of veterinary medicinal products
- seven Improvement Notices issued where improvements were required in accordance with the Veterinary Medicines Regulations (VMR)
- 262 letters issued regarding breaches of the VMR
- 302 cases completed from complaints and enquiries concerning borderline veterinary medicinal products

Ministers decided that the non-statutory surveillance programme operated by the VMD should end in March 2015 and that we would now use the results of the National Monitoring Plan, operated under the EU Veterinary Checks Directive to detect veterinary medicines residues and banned substances.

A Defra review of the Veterinary Residues Committee (VRC) found that it was not the most effective and efficient way for the provision of expert advice on residues. The VRC had its final meeting on 20 November 2014.

C) To influence EU legislative change and the development of appropriate procedures and guidance within the European Medicines Regulatory Network (EMRN)

Why are we doing this? To seek, as far as possible, to ensure that EU changes do not discriminate against UK businesses and to ensure UK citizens' animals and the environment are suitably protected by influencing the position of other EU member states. To ensure as far as possible that the regulatory framework reflects the risks involved and supports growth.

We continued to work closely with colleagues across the EU by taking an active role in the Heads of Medicines Agencies Group and its various task forces. The UK continues to lead the task force on antimicrobial resistance and to chair the Committee for Medicinal Products for Veterinary Use (CVMP) Working Party on Antimicrobials.

We have continued to work with the Commission to help develop its thinking on revising legislation on veterinary medicines, medicated feeds and residues surveillance and continued to provide additional practical support in the form of a national expert in the Directorate General for Health and Food Safety in the European Commission (DG SANTE). During the second half of the year we have played an active role in the Council of EU working parties during the initial read-through of the proposals for new legislation.

Business Priority 3 – Customers and Interest Groups:

A) To ensure that the regulatory services provided meet the needs of the veterinary pharmaceutical industry

Why are we doing this? To remain competitive within the EU and to inform continual business improvement. This is important as it allows us to retain a critical mass of specialists, helps the sustainability of the operation, offers opportunities for better value for money, and provides the ability to identify possible additional services that may be desired. It also supports earning of foreign income.

The VMD conducted a web based survey of the veterinary pharmaceutical industry in February 2014. The results showed that for the eight VMD teams where feedback was sought on their overall service, seven of these were rated as good or excellent by at least 70% of customers. Five of the teams were rated as good or excellent by at least 90% of customers.

In response to constructive comments received in the survey, positive changes made in 2014/15 have included revision of the Product Literature Standard, development of an enforcement team newsletter to communicate more actively with stakeholders, and a well-received pharmacovigilance information day which was held in November 2014.

Feedback on company meetings was one of the sources of customer information gathered in 2014/15. A total of 76 company meetings were held from which 28 returns were submitted. An overall score of four or five (top marks) was given on all 28 occasions (18 scored five, 10 scored four). Nine meetings were held during March and as yet the companies have not submitted a return.

B) Provision of appropriate services to policy customers in Defra and other government departments (OGDs)

Why are we doing this? To ensure the services provided meet policy customer needs in a cost efficient way to support animal, public and wider environmental health, and economic growth, in the context of animal medicines.

During April and May 2015 we carried out a survey of colleagues in government that use the VMD’s policy services or who we work with to make and deliver policy. We asked a series of questions on what they thought of the service we provided in 2014/15. We scored a median overall rating of 4, meaning those who expressed a view rated our policy team’s service as ‘good with minor changes needed’. They gave us a median score of 5 for the overarching question “how do you score your satisfaction with how the VMD understands the policy issues”. One respondent marked us as “excellent” on the quality of the policy we provide and the way we provide it. They also gave us five for how we prepare for, commit to, implement and monitor our policy responsibilities and delivery. The survey, which we do each year, complements the formal and regular in-year assessment of the delivery of specific policy areas covering veterinary medicines legislation, residues and antibiotic resistance. We will use the results over the coming year to further improve the way we make and deliver policy.

C) Communications to customers and interest groups

Why are we doing this? To raise awareness of the work of the VMD and why it is important that veterinary medicines are properly regulated and used. To enable effective feedback on our work.

In 2014/15, the VMD did a significant amount of work on its annual communications priorities and business as usual activities in line with its Communications and Engagement Strategy.

Highlights included:

- a summit of leaders and opinion-formers in the livestock and veterinary sectors to highlight the need for a collective response to the challenge of antibiotic resistance
- three workshops to hear stakeholders' views on the proposals for new European legislation on veterinary medicines and medicated feed
- promotion of the Accredited Internet Retailers Scheme on its second anniversary
- monthly updates to vets in the Veterinary Record and Veterinary Times, and quarterly updates to the pharmaceutical industry through the VMD's newsletter (MAVIS)
- attendance at industry and public events with our publicity stand to promote awareness of the work of the VMD, our web-based systems, and items of interest to the specific stakeholder group
- working closely with veterinary, animal welfare groups and others to give out important messages on the responsible use of antibiotics including publicising the European Antibiotic Awareness Day, handling an increasing number of media enquiries (e.g. on high-profile enforcement actions) and using media opportunities successfully
- running effective education and outreach programmes with lectures given to second/third year students at five of the eight UK vet schools.

Business Priority 4 – Value For Money:

Achieve cost recovery and delivery of Value for Money

Why are we doing this? To ensure that we can demonstrate to all our customers how we achieve best value for money (VFM), whilst understanding that cost saving is only one element of VFM. To ensure an appropriate regulatory framework is in place that supports growth whilst providing appropriate safeguards to protect the food chain, human and animal health and the environment.

Note 5 to the Accounts shows that the VMD recovered 101% of its total costs (including Cost of Capital).

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

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

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

- reducing the annual fees charged to the veterinary pharmaceutical industry by £1.1 million and fees to the food industry by £0.1 million
- implementing a significant reduction in fees for national variations from 1 April 2014, amounting to an annual saving to the veterinary pharmaceutical industry of £200k
- continuing the roll out of electronic invoicing to customers

Business Priority 5 – Capacity and Capability:

To ensure funding streams are used efficiently to maintain capability and capacity to deliver business objectives

Why are we doing this? To enable the VMD to deliver its other business objectives by maintaining staffing and other support structures at a level that ensures the business is fit for purpose. Through risk management we aim to identify and respond to issues that could adversely affect the business. We seek continuous improvement to enable us to meet current and future business needs and to ensure we remain competitive alongside other National Competent Authorities.

The VMD continued to invest in the training and development of new staff. On average members of staff undertook 6.6 days of learning and development.

The VMD has ISO 9001 certification for the whole business, and ISO 27001 security certification of its Information Technology (IT) systems. An audit in September 2014 identified no issues of significance for either certification standard.

Throughout the year we continued to develop our IT systems to keep them fit for purpose. The IT team continue to extend the support for our finance systems working towards integration between relevant systems to improve the efficiency of processes including e-invoicing.

Financial Management

The VMD's total expenditure for the financial year was £14m an increase of 0.4% against 2013/14.

The Statement of Comprehensive Net Income shows "Net Operating Income" (income less expenditure) of £0.340m. However, the adjusted cost recovery result after including a cost of capital charge (see below) is £0.114m, equivalent to 101% cost recovery. The cost recovery results for the VMD's operating segments are shown in Note 5 to the Accounts, summarised as follows:

	Income £m	Expenditure £m	Net Income £m
Veterinary Pharmaceutical Industry	7.25	7.21	0.04
Food Industry	3.93	3.92	0.01
Government	3.24	3.18	0.06
Total VMD	**14.42**	**14.31**	**0.11**

The costs of the Veterinary Pharmaceutical Industry are recovered through fees and charges for authorisations and inspections work. The costs of the Food Industry are recovered through charges levied on abattoirs and other food processors. The cost for the government activities, enforcement, policy and other operations work, are funded by Defra.

We thoroughly monitor our financial performance and continue to seek efficiency measures while maintaining our standards of performance. We managed to achieve our 2014/15 targets, while reducing fees or maintaining fees at the 2013/14 levels.

Income collected from the Veterinary Pharmaceutical Industry reduced by 3% on 2013/14. Volume throughput for the Food Industry increased. Charges were held at the same rates as in 2013/14 or reduced to reflect the changes in volume activity. Total Defra funding was £3.24m, an increase of £0.11m above the £3.13m funding utilised in 2013/14. The additional funding allocation was applied to support and strengthen the Antimicrobial Resistance programme.

From 1 April 2010, in line with HM Treasury advice, the agency no longer records a Cost of Capital charge in its Accounts but continues to include a notional Cost of Capital charge in the calculation of fees and charges. The Cost of Capital charge applies to the average net assets in the Statement of Financial Position, with the exception of cash balances, to the extent that these are funded by fees and charges. The VMD's measure of Cost Recovery against its Business Plan target therefore includes a Cost of Capital Charge. A reconciliation between Net Operating Income and Cost Recovery is provided at Note 5 to the Accounts.

The VMD is partly funded by Defra and the position is shown in the 'Taxpayers' Equity' section of the Statement of Financial Position. The General Fund represents the value of the VMD's net current assets as at 1 April 1991, which is the date from which the first Accounts Direction became effective, plus subsequent external funding movements, plus the accumulated net operating result transferred from the Statement of Comprehensive Net Income. The Revaluation Reserve represents the unrealised cumulative balance of indexation and revaluation adjustments to non-current assets.

Manage risks

The VMD's approach to managing its principal risks is described in the Governance Statement.

Risk, Future Developments and Performance

The key challenges to the VMD throughout 2014/15 and its plans for meeting them have been outlined in the VMD's Business Plan which is available at www.gov.uk.

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

- economic climate affecting the veterinary pharmaceutical industry and the volume of Authorisation applications the VMD receives
- European Commission's work to review the EU legislation on veterinary medicines, medicated feeds and residues surveillance
- implementation of the European Commission's action plan on antimicrobial resistance and the UK strategy on antimicrobial resistance

Going concern

The Statement of Financial Position at 31 March 2015 shows Taxpayers' Equity and other reserves of £10.9 million (at 31 March 2014 this was £10.5 million). This reflects the inclusion of liabilities falling due in future years.

The VMD received 22% of its funding from Defra and 78% from Industry through fees and charges. Parliament approves this funding annually. These income streams are expected to continue to meet the future funding for our liabilities. The VMD has already received approval for Defra funding for next year. Therefore it is appropriate to adopt a going concern basis for these financial statements.

People Strategy

Staff Numbers

At 31 March 2015 we employed 159 permanent staff (155 full-time equivalent (FTE)) and 6 temporary staff (4.5 FTE) supplied by local employment agencies. The average number of full-time equivalent permanent and temporary staff during the year, and an analysis of staff-in-post (headcount) as at 31 March by gender are shown in Note 2 to the Accounts. The VMD complies with Equal Opportunities legislation and Departmental policy in relation to disabled employees. The VMD applies the Department's policies on equal opportunities and health and safety at work.

Employee Involvement

The VMD encourages staff involvement in its activities through a variety of channels including a VMD intranet, topic meetings, day-to-day line management contacts and diverse membership of project teams. Regular meetings review progress against the Business Plan and review risk. Office notices and the intranet are used to disseminate information. An annual staff meeting to review the work of the past year and expected key future issues is addressed by the CEO. The VMD works with Defra on wellbeing activities and staff have access to both occupational health and employee assistance services. Trade Union membership and representation is in accordance with Departmental policies.

The VMD was re-accredited as an Investor in People (IiP) in 2012 and was awarded 'silver' status in recognition of the continuing efforts in the development and training of its staff. It will seek further re-accreditation during 2015/16.

Health and Safety

Due to mainly low risk activities and the size of the organisation the VMD continues to use the policies and advice services from Defra's Safety, Health & Wellbeing team. Only two minor work-related incidents were reported by employees during 2014/15.

Environmental Matters and Social and Community Issues

Sustainability Report for the calendar year 2014

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

Defra's Built Environment Sustainability Team (BEST) provides the VMD with quarterly figures on each of the following categories. Due to the availability of data this report is based on data from Quarter 4 of 2013/14 and Quarters 1 to 3 of 2014/15. This is the same basis as used for the figures in the 2013/14 report.

GREENHOUSE GAS EMISSIONS		2014	2013
Non-Financial Indicators (1,000 tCO2e)	Total gross emissions	0.25	0.27
	Total net emissions	-	-
	Gross emissions Scope 1 (direct)	-	-
	Gross emissions Scope 2 & 3 (indirect)	-	-
Related Energy Consumption (million KWh)	Electricity: Non-Renewable	0.34	0.36
	Electricity: Renewable	-	-
	Gas	0.34	0.43
	LPG	-	-
	Other	-	-
Financial Indicators (£ million)	Expenditure on Energy	0.037	0.034
	CRC License Expenditure (2012/13)*	0.002	0.003
	Expenditure on accredited offsets (e.g. GCOF)	0	0
	Expenditure on official business travel	0.128	0.154

*Carbon Reduction Commitment in the financial year 2013/14 of £2,427 was submitted by the Department for Environment, Food and Rural Affairs on behalf of the VMD.

Greenhouse Gas Emissions – Performance Commentary (including measures)

Under the Greening Government Commitments the VMD has a commitment to reduce carbon emissions by 25% from the estate and business related travel from a 2009/10 baseline (of 254 tCO2) by 2015. For the purposes of ongoing monitoring and assessment throughout the reporting period, Defra's Built Environment Sustainable Development Team developed annual indicative milestones based on a 5% reduction per annum which we have not met due to the constraints of the building.

Indicative Annual Milestone (tCO2)

2011/12 – 228.6
2012/13 – 215.9
2013/14 – 203.2

2014/15 target – 191.5

Greenhouse Gas Emissions – Controllable Impacts Commentary

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

Greenhouse Gas Emissions – Overview of Influenced Impacts

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

WASTE			2014	2013
Non-Financial Indicators (tonnes)	Total Waste		21.2	68.1
	Hazardous Waste	Total	0	0
	Non Hazardous Waste	Landfill	0	0
		Reused/recycled	0	0
		Composted	0	0
		Incinerated with energy recovery	21.2	68.1
		Incinerated without energy recovery	0	0
Financial Indicators (£k)	Total Disposal Cost		*	
	Hazardous Waste		0	0
	Non Hazardous Waste	Landfill	0	0
		Reused/recycled	0	0
		Composted	0	0
		Incinerated with energy recovery	*	
		Incinerated without energy recovery	0	0
**The VMD does not have these figures. They are part of the overall estate costs and are not billed separately.*				

Waste – Performance Commentary (including measures)

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

Under the Greening Government Commitments the VMD has a commitment to reduce the amount of waste generated by 25%, from a 2009/10 baseline, by 2015. For the purposes of ongoing monitoring and assessment throughout the reporting period, Defra's BEST developed annual indicative milestones based on a 5% reduction per annum. Defra's BEST re-baselined for the VMD when the Facilities Management contractor started to weigh waste from the VMD separately from the remainder of the site. The targets below have been revised as a consequence.

Indicative Annual Milestone (tonnes)

2011/12 – 43.7 (revised baseline based on 2011 calendar year)
2012/13 – 40.2
2013/14 – 36.7

2015 target – 33.1

The main direct impacts of waste for the VMD are in relation to paper and other office related waste. The VMD's data cleansing, scanning and disposal project came to an end during the period with the expected significant decrease in waste output. This contributed to the VMD being able to reduce waste further than the target set for this year.

We continue to work to reduce the Agency's paper usage and hence potential waste creation. We ordered 377 boxes of paper in 2010, 320 boxes in 2011 and 289 boxes in 2012. This figure reduced to 165 boxes in 2013 and 120 in 2014. We are committed to meeting the governmental target further to reduce paper consumption by 10% in the coming year, through e-working in particular.

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

<table>
<tr><th colspan="3">FINITE RESOURCE CONSUMPTION</th><th>2014</th><th>2013</th></tr>
<tr><td rowspan="5">Non-Financial Indicators ('000 m^3)</td><td rowspan="3">Water Consumption (Office Estate)</td><td>Supplied</td><td>0.774</td><td>0.866</td></tr>
<tr><td>Abstracted</td><td>-</td><td>-</td></tr>
<tr><td>Per FTE</td><td>0.005</td><td>0.005</td></tr>
<tr><td rowspan="2">Water Consumption (Non-Office Estate)</td><td>Supplied</td><td>-</td><td>-</td></tr>
<tr><td>Abstracted</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Financial Indicators (£k)</td><td colspan="2">Water Supply Costs (Office Estate)</td><td>1</td><td>1</td></tr>
<tr><td colspan="2">Water Supply Costs (Non-Office Estate)</td><td>-</td><td>-</td></tr>
</table>

Finite Resource: Water Consumption – Performance Commentary (including measures)

Under the Greening Government Commitments the VMD has a commitment to an overall reduction in water consumption by 2015, from a 2009/10 baseline and to improve site level water consumption per FTE. Based on an average of 160 FTEs our annual consumption would be 4.84m^3 per head which falls into the good performance level of consumption.

Finite Resource: Water Consumption – Controllable Impacts Commentary

Our main water use is in the toilet facilities. We have “water pigs” in the cisterns which reduce flush rates. We cannot do more to reduce toilet facility water usage without capital investment in new hardware. The two showers are already low volume units.

We encourage staff to use only the water they need.

Professor SP Borriello
Chief Executive
29 May 2015

Directors' report

Board and Executive Directors

The Veterinary Medicines Directorate employs two Directors in addition to the Chief Executive.

Position	Position holder	Period of Service
Chief Executive	SP Borriello	Full year
Director of Authorisations	J Atkinson	Ended 03/10/14
Acting Director of Authorisations	A-M Brady	Started 06/10/14
Director of Operations	P Green	Full year

The notice period for Executive Directors is three months.

The board members and Executive Directors had no company directorships and other significant interests which may conflict with their management responsibilities in the financial year 2014/15.

Non-current assets

There were no capital acquisitions in 2014/15 (2013/14: £0.14m). Land & Buildings are carried in the Statement of Financial Position at “Depreciated Replacement Cost” applying to specialist buildings. Depreciated Replacement Cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation”. The 31 March 2015 valuation recorded a revaluation increase of £0.57m.

Managing our buildings

Our building forms part of the Defra estate, and is managed by Defra Network Corporate Services utilising Interserve to provide Facilities support. During 2014/15 expenditure on ongoing maintenance under the forward maintenance register has been constrained by ongoing uncertainty about whether the VMD will remain in the building or move elsewhere on site. This placed the building at risk of plant breakdown which could have affected our ability to deliver. Decisions need to be taken early in 2015/16 to overcome this risk.

As part of the contract, regular audits of Interserve are undertaken to ensure that the cost charged by the supplier is in line with the services delivered across the Defra Estate. An issue became apparent during a routine internal audit for the financial year 2011/12, year three of the contract. The work undertaken to resolve this has resulted in a credit note being received in 2014/15 for years one to three of the contract and the amount is therefore reflected in this years’ accounts.

Creditor payment policy and statistics

The VMD’s policy is to settle all creditors’ accounts within creditors’ own payment terms. During the year, the VMD paid 100% of valid invoices by the due date (2013/14: 100%). In March 2010 the Government introduced a target to pay 80% of undisputed invoices within five working days. We support this initiative, and during the year paid 98% (2013/14: 95%) of undisputed invoices within five working days. The trade payables balance at 31 March 2015, as a proportion of the total undisputed amount invoiced by suppliers in the year, equates to 4 days (2013/14: 7 days).

Pensions

Future pensions provision is made for all permanent staff through the provisions of either the Principal Civil Service Pension Scheme or a stakeholder pension scheme with employer contributions. Details of how pension liabilities are treated in the Accounts are provided in Note 2 to the Accounts and the Remuneration Report.

Sickness absence data

The total full-time-equivalent days lost through staff sickness absence in the year was 996 compared to 564 in 2013/14. The average working days lost per employee during the year was 6.5 compared to 3.6 in 2013/14. The average per employee is distorted by a small number of long-term sickness absences. Short term sickness absences of 5 days or less continued to fall from 1.7 days per FTE in 2013/14 to 1.6 days per FTE in 2014/15.

Tax arrangements of public sector appointees

As part of HM Treasury's review of tax arrangements of public sector appointees, departments and their arms-length bodies are required to publish information in relation to the number of off payroll engagements that were in place on 31 January 2012 or entered into subsequently. The VMD have nil engagements to report.

Protect personal data

There were no personal data-related incidents in the VMD in 2014/15. Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

Preparation and Audit of the Accounts

The Accounts have been prepared under a direction issued on 18 December 2014 by HM Treasury under Section 7(2) of the Government Resources and Accounts Act 2000 and are audited by the Comptroller and Auditor General.

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

So far as the Accounting Officer is aware, there is no relevant audit information which has not been shared with the VMD's auditors. The Accounting Officer has taken all the necessary steps to make himself aware of any relevant audit information and to establish that the VMD's auditors are aware of that information.

S. P. Borriello

Professor SP Borriello
Chief Executive
29 May 2015

Governance statement

Governance philosophy

The Veterinary Medicines Directorate (VMD), as a regulatory body, works on the principle that optimum governance and prevention of realisation of risk are only possible if the key tenets of governance are embedded as part of the working culture. In particular, our working ethos is of independence, integrity and impartiality, with awareness of conflicts of interest, probity, quality, continuous improvement and ongoing efficiency. This is facilitated and informed by active engagement with staff, stakeholders and customers, and a broad based recognition of the value of key elements of governance and an aspiration to do it well.

During the year we have worked with Internal Audit to review the management of Corporate Performance within the VMD, and to develop an assurance framework. This will be developed further in the coming year to develop an assurance map to enable better understanding of assurance sources and the elimination of assurance gaps.

We have continued to focus on performance management both at an individual and business level and management of sickness absence. The designation of the Head of Finance as Fraud Officer has ensured an ongoing focus on fraud risks, and the whole agency ISO 9001 and 27001 certification help drive service quality and improvement. We maintained our Civil Service people survey score of 65% in 2014, achieving the eighth highest score across the civil service.

Corporate governance

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

The Executive Management Board (EMB) has formally assessed its compliance with the Corporate Governance Code to the extent that it relates to an Executive Agency and has assessed its effectiveness. It concluded that the Agency has complied with the principles and spirit of the Code during the year.

The EMB had been effective in the discharge of its responsibilities as evidenced by the full delivery of the 2014/15 Business Plan; the results of the 2014 annual staff survey, and the results of a survey of the VMD's policy customers. The outcomes of the EMB are reported to staff through the weekly Chief Executive's Newsletter.

Effectiveness of governance arrangements

The VMD is an Executive Agency of the Department for Environment, Food and Rural Affairs (Defra). The Agency is the UK policy lead on veterinary medicines and, as the national competent authority, is responsible for the implementation of all aspects of the Veterinary Medicines Directive and related EU legislation.

The Secretary of State for Defra determines the overall policy and financial framework within which the VMD operates and the Defra ownership function is exercised by the Defra Chief Operating Officer (COO). The COO receives advice and challenge on the Agency's strategic direction and performance from the VMD Management and VMD Corporate customer. The CEO formally reports on Agency performance on a quarterly basis to the Defra Board through the COO in conjunction with the Defra Corporate Customer.

The Agency is led by the Chief Executive Officer, who is accountable to the Secretary of State for Defra for the performance and operation of the VMD and for the achievement of its business priorities in accordance with its Business Plan.

The VMD Management Board and Audit and Risk Assurance Committee are independently chaired by a Non-executive Director and between them also consider all the VMD's business.

The overall governance structure and associated assurance as well as advice and challenge are enriched by independent advisory committees (see Annex A), regular fixed discussions between the Chief Executive and the Chief Veterinary Officer and Deputy Veterinary Officer, being party to an external benchmarking process for our medicines functions, and holding external certification for our IT functions. Our quality assurance is further strengthened by the whole organisation ISO 9001 certification, which covers all our operational processes.

Committee structure

VMD Management Board (MB)

The VMD MB, chaired by a Non-executive Director (NED), is the internal governance board for the VMD and consists of the Chief Executive, the two Directors, other Defra attendees and two further NEDs.

The Board met four times in the year. Each meeting is also attended by selected Heads of Teams as appropriate and applicable to the tabled Agenda.

The Board provides the Chief Executive with specific advice, support and challenge on:

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

All Board members meet informally with other senior managers, and engage closely with the business, to help give strong assurance and governance.

Audit and Risk Assurance Committee (ARAC)

The Audit and Risk Assurance Committee meets quarterly and is the main oversight committee for the organisation. The Committee is chaired by a Non-executive Director. The Committee met four times during the year to advise the CEO on the adequacy and effectiveness of the VMD's governance and risk management frameworks. It was attended by, and received reports from, a number of senior staff, internal auditors (KPMG) and external auditors (National Audit Office).

Highlights of Board and Committee Reports

The MB and ARAC have a rolling agenda. Standard items are:

- Business Plan and Budget
- Monthly financial and quarterly performance reporting
- Strategic risk management
- New corporate policies, for example considering the VMD's assessment of business prospects and potential opportunities, and the methods of communication with stakeholders
- Audit Reports

The emphasis of consideration of these core items between the two committees differ, with risk implications and mitigations, audit programmes and audit findings being of key consideration for the ARAC; and response, implementation and strategy being of key consideration for the MB.

Reports and updates received in 2014/15 were:

- Annual Budget and a three year plan
- Draft Annual Report and Accounts
- Draft Governance Statement
- Risk Register
- National Audit Office Management Letter
- Head of Internal Audit reports
- Internal Audit strategy and work plan
- Reports and recommendations from internal audits and progress on implementation of recommendations
- Focus topics: in-year these covered; What the VMD does, Performance Reporting and AMR issues roundup

Executive Management Board (EMB)

The Chief Executive, Directors and Head of Finance meet on a weekly basis as the VMD's EMB. There is a standing Agenda to:

- consider and respond to current business issues
- control the VMD's financial position on a monthly basis
- consider detailed assessment of all staff issues (e.g. training, sickness, performance) on a monthly basis
- agree on the handling of key operational issues on a monthly basis
- consider potential new risks/emerging risks
- review strategic risks to the organisation on a monthly basis
- allocate human and financial resources in alignment with the strategic direction and business plan

Effectiveness of the Boards' and Committees' performance

All committees and boards are required to keep full attendance records and minutes of each meeting and are disclosed as required and protected as necessary.

The MB and ARAC assess their effectiveness at each meeting. A more formal assessment, as recommended by the Cabinet Office, of ARAC and MB performance was carried out at the March 2015 meeting. This involved the use of a questionnaire developed by Defra which was adapted and issued to Committee members and regular attendees to complete where they had attended three or more meetings in the year. Against a bank of eight questions for ARAC 58% of responses were positive, 38% neutral and 4% negative based on six responses. For MB 71% of responses were positive, 29% neutral and 0% negative based on five responses. The MB and ARAC routinely reviews the quality of the Management Information, performance data and operational indicators which align with the VMD's strategic objectives. The Board considered the data presented to be of an appropriate quality.

The minutes and action table provide evidence against which effectiveness of the EMB can be judged.

Attendance at meetings

The Management Board

The Management Board members who served during the year and attendance at the four meetings were:

John Preston	External member (Chair May meeting) (retired May 2014)	1
Julia Drown	External Member (Chair August meeting onwards)	4
David Corner	External Member	3
Andrew Coulson	External Member	4
Peter Borriello	Chief Executive and Agency Accounting Officer	4
Paul Green	Director of Operations	4
Jackie Atkinson	Director of Authorisations (left VMD Autumn 2014)	2
Linda Simmons	Head of Finance	3
David Rayner	Head of Core Services (secretariat)	3
David Lewsey	Core Services (deputising for David Rayner)	1

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee members who served during the year and attendance at the five meetings were:

Members		
John Preston	External member (Chair May meeting) (retired May 2014)	1
David Corner	External Member (Chair August meeting onwards)	3
Julia Drown	External Member	4
Andrew Coulson	External Member	4

Other Attendees		
Peter Borriello	Chief Executive and Agency Accounting Officer	4
Paul Green	Director of Operations	4
Jackie Atkinson	Director of Authorisations (left VMD Autumn 2014)	2
Anna-Maria Brady	Acting Director of Authorisations	1
Linda Simmons	Head of Finance	3
David Rayner	Head of Core Services (secretariat)	3
David Lewsey	Core Services (deputising for David Rayner)	1
Alex Wood	Defra Network Bodies Oversight Team	2
Simon Brown	Defra Network Bodies Oversight Team	1
Simon Helps	NAO	4
Thomas Diambro	NAO	1
Stuart Hunter	NAO	1
Lakshmi Kulkarni	NAO	1
Michelle Edmands	NAO	1
Helen Morris	Defra Internal Audit	1
Nathan Paget	Defra Internal Audit	1
Nick Stokell	Defra Internal Audit	1
Jennifer Townsend	KPMG	1
Tamas Wood	KPMG	4
Charlotte Goodrich	KPMG	2

Note: There is a standing invitation for Nigel Gibbens, Defra Chief Veterinary Officer to attend the meetings. He did not manage to attend the MB/ARAC meetings during this year.

Managing our risks

The VMD's primary role is in the authorisation of veterinary medicines, which is always based on weighing up the benefit of medicines against their risks. Consequently the very nature of the work of the organisation is to examine risks, to reduce these to an acceptable level, and then to consider the residual risks against the benefits. This philosophy in managing risks is applicable to, and adopted in the approach to risk management across the organisation, to identify key risks that could threaten the achievement of the VMD's objectives.

Risks facing the VMD fall under the following headings: a) Operational, b) Reputational, c) International, d) Financial, e) Legal. The degree of risk is measured by considering the likelihood and impact.

The strategic risk register is regularly reviewed by the EMB, MB and ARAC. The risks are updated as necessary.

The strategic risks identified in 2014/15 were:

- Reduced confidence in veterinary medicines
- Reduced confidence in food safety
- Reduced confidence in the VMD
- Staffing levels/skill mix
- Quality of centralised support services
- Failure to balance the budget
- Inadequate disaster recovery procedures
- Risk of fraud
- Risk of litigation
- International process/regulation changes
- Inadequate quality external IT services
- Negative impacts of revised legislation
- Staff morale
- Security of location

During the year all of the risks that arose on the VMD's strategic risk register were recorded as being managed appropriately. In year, three key 'red risks' for the organisation were identified. Firstly, having appropriate resources to meet new initiatives, with an increasing number of cross-government and Defra initiatives requiring VMD representation, which had presented a key challenge to the VMD as a small organisation. Secondly, the effect of imposed change including the effect of moving our web presence to Gov.UK and imposed support services changes, and thirdly the ability of partners to deliver elements of our work on behalf of the VMD.

Some key actions we implemented and progressed to help control risks included more intelligent choice of representatives and selection of what we must contribute to Government/Defra initiatives, and tracking all such demands through our communication management system and applying controls on delivery; an improved approach to succession planning with dedicated external assessment of the potential of some staff, continuation of improvements in processes for active management of performance and attendance issues; raising our concerns at senior level with delivery partners, with the Chief Operating Officer and with the Corporate Customer.

The Strategic Risk Register is supplemented by a list of "standing" controls setting out routine control measures, to ensure as far as possible we incorporate risk mitigations into our business-as-usual activities.

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

Effectiveness of risk management

Internal audit assurance

The Internal Audit Service:

- operates under the requirements set out in Government Internal Audit Standards and the IIA-UK's International Standards for the Professional Practice of Internal Auditing
- complies with the Public Sector Internal Audit Standards, which were effective from 1 April
- provides regular reports following review and evaluation of the Agency's risk management, control and governance arrangements, making recommendations for improvements where appropriate

In their Annual Report, which offers their annual opinion on the adequacy and effectiveness of risk management, control and governance, the Head of Internal Audit Opinion is one of "Moderate Assurance". This indicates that "Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control". The Board can take reasonable assurance that the controls upon which the organisation relies to manage risk are suitably designed, consistently applied and effective. Evidence was seen that the control environment was improving in many areas. The implementation of recommendations raised and agreed by management for those issues identified in Internal Audit work will reduce the likelihood of risks materialising.

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

Quality Management System

The Quality Management System was introduced across all teams in the VMD in 2010. The Quality Management System ensures processes and procedures are documented. A series of audits are performed each year, using VMD staff drawn from across the organisation and trained in auditing. The audits, whilst initially team based are now largely process based and provide assurance that the documented processes and procedures are followed, with opportunities for improvements being identified and recorded. The VMD has external certification of its systems to ISO 9001.

Business Critical Models and Quality Assurance

An appropriate quality assurance framework is in place to assess business models relevant to the Agency. We obtain, through the ARAC and MB, assurance that the associated risks are properly managed. There are no business models which currently fall within the definition 'business critical models' as set out by HM Treasury.

Business continuity and security

We operate a Business Continuity Management system to ensure the operation of key activities in the event of a serious incident, inclusive of off-site back-up IT.

Data security remains critical and is assured by the VMD's maintenance of the Cabinet Office Security Standards, certification to ISO 27001 and Government Security Intranet (GSI) accreditation.

All staff are made explicitly aware of their responsibilities regarding information we hold. In year, there was a 100% successful completion of the Responsible for Information online training.

Lapses in data security

There were no data security lapses that were deemed to be significant or critical during 2014/15.

Significant issues

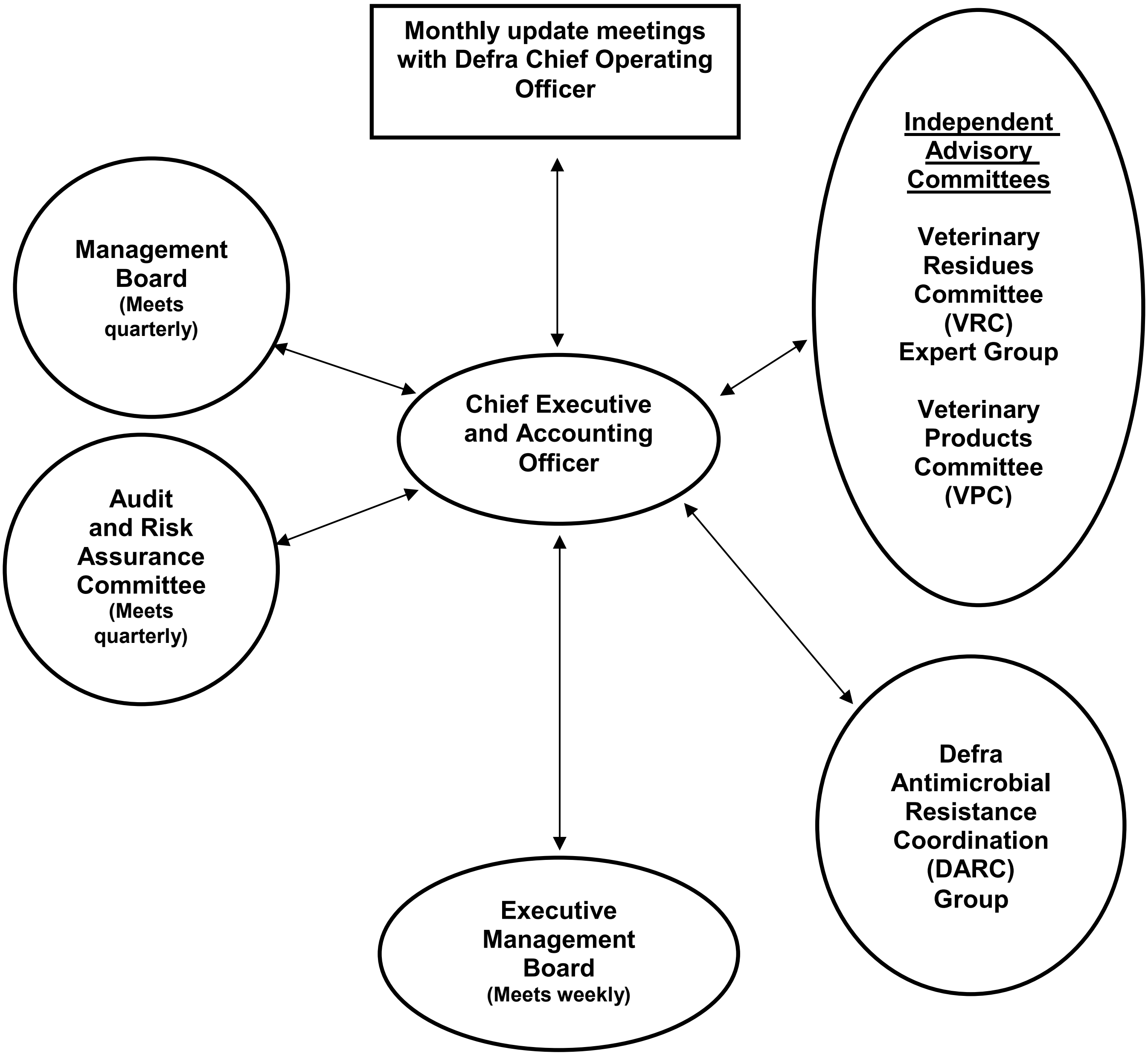
Good progress continued against our plans in 2014/15, however the significant issues being managed through the year and in the future are:

- the ability to attract or retain experienced professional staff, and the associated reward strategies in a climate of continued austerity, particularly in a buoyant veterinary medicines sector where demand for scarce experience and talent is high
- delivery pressures due to extended recruitment timings also need careful management, with flexible mechanisms being required to balance delivery needs and to respond to dynamic customer requirements
- access to capital and the increasing cost of centralised processes, contracts and estates investment.

Professor SP Borriello
Chief Executive
29 May 2015

Annex A

The Veterinary Medicines Directorates' Governance Structure



Remuneration Report

Remuneration Policy

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

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

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

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

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

Salaries and Pension Benefits (Audited)

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

Single total figure of remuneration										
Officials	**Salary (£'000)**		**Bonus payments (£'000)**		**Benefits in kind (to nearest £100)**		**Pension benefits (to nearest £1000)[1]**		**Total (£'000)**	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
SP Borriello Chief Executive	115-120	115-120	-	-	-	-	44,000	45,000	160-165	160-165
J Atkinson Director of Authorisations	35-40[2]	70-75	10-15	5-10	-	-	23,000	1,000	70-75	80-85
A-M Brady Acting Director of Authorisations	30-35[3]	-	-	-	-	-	36,000	-	65-70	-
P Green Director of Operations	70-75	65-70	-	-	-	-	14,000	9,000	80-85	75-80

[1] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

[2] Figure quoted is for the period 1 April 2014 to 3 October 2014. The full year equivalent banded is £70,000 to £75,000.

[3] Figure quoted is for the period 6 October 2014 to 31 March 2015 . The full year equivalent banded is £65,000 to £70,000.

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

Directors are appraised annually against a set of competencies and individually targeted objectives. Bonuses are the only form of remuneration subject to performance conditions. Bonuses paid in 2014/15 relate to performance in 2013/14 and bonuses paid in 2013/14 relate to performance in 2012/13.

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

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

No employer contributions were made to partnership pension accounts during 2014/15 or 2013/14 in respect of the VMD's Directors.

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.

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

Total remuneration	Highest paid Director £000	Median of other staff £	Pay multiple (ratio)
2014/15	115 - 120	31,308	3.8
2013/14	115 - 120	30,656	3.9

In 2014/15, no employees received remuneration in excess of the highest paid Director (2013/14: nil). Remuneration ranged from £16,558 to £119,180 (2013/14, £13,127 to £118,587).

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 of pensions.

Benefits in Kind

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

Civil Service Pensions

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

Employee contributions are salary related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium, classic plus and nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservicepensionscheme.org.uk.

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at
http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

Cash Equivalent Transfer Values

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

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

Real Increase in CETV

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

	Accrued pension at pension age as at 31/3/14 and related lump sum £000	**Real Increase in pension and related sum at pension age £000**	**CETV at 31/3/15 £000**	**CETV at 31/3/14 £000**	**Real increase in CETV £000**
SP Borriello Chief Executive	15-20 plus lump sum of 0	2.5-5 plus lump sum of 0	302	244	33
J Atkinson Director of Authorisations	25-30 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	464	428	16
A Brady Acting Director of Authorisations	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 5-5.5	627	583	32
P Green Director of Operations	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	326	300	9

External Management Board Members

Membership details of the Management Board are shown on page 21. The non-executive members also form the Audit and Risk Assurance Committee (ARAC). The following salaries and benefits in-kind were paid to the external members:

2014/15	**D Corner** £000	**J Drown** £000	**A Coulson** £000	**J Preston** £000
Salary (as defined above)	0-5	5-10	0-5	0-5
Benefits in-kind	0-5	0-5	0-5	0-5
Total	**5-10**	**5-10**	**0-5**	**0-5**

2013/14	**B Morris** £000	**J Preston** £000
Salary (as defined above)	0-5	5-10
Benefits in-kind	0-5	0-5
Total	**0-5**	**5-10**

S. P. Borriello

Professor SP Borriello
Chief Executive
29 May 2015

Statement of Accounting Officer's responsibilities

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

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

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

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

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

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 Veterinary Medicines Directorate (VMD) for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report 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 VMD's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by VMD and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts 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 VMD's affairs as at 31 March 2015 and of the net operating income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Foreword, Strategic Report and the Directors' 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
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

5 June 2015

Financial statements

Statement of Comprehensive Net Income

for the year ended 31 March 2015

	Note	2014/15 Staff costs £000	2014/15 Other costs £000	2014/15 Income £000	2013/14 £000
Administration costs:					
Staff costs	*2*	(7,753)			(7,804)
Other administrative costs	*3*		(6,331)		(6,224)
Operating Income	*4*			14,424	14,337
Totals		**(7,753)**	**(6,331)**	**14,424**	**309**
Net operating income				**340**	**309**
Other comprehensive net income					
Items that will not be reclassified to net operating income					
Net gain/(loss) on revaluation of Property, Plant and Equipment				778	(269)
Total comprehensive net income for the year ended 31 March				**1,118**	**40**

All income and expenditure is derived from continuing operations.

All of the above income and expenditure is classified as "Administration".

The notes on pages 39 to 53 form part of these accounts.

Statement of Financial Position

as at 31 March 2015

	Note	**2014/15**		**2013/14**	
		£000	**£000**	**£000**	**£000**
Non-current assets:					
Property, plant and equipment	*6*	5,450		4,953	
Intangible assets	*7*	110		160	
Long term receivables	*8*	11		13	
Total non-current assets			**5,571**		**5,126**
Current assets:					
Trade and other receivables	*8*	3,379		2,438	
Cash and cash equivalents	*9*	4,592		5,486	
Total current assets			**7,971**		**7,924**
Total assets			**13,542**		**13,050**
Current liabilities:					
Trade and other payables	*10*	(2,672)		(2,542)	
Total current liabilities			**(2,672)**		**(2,542)**
Total assets less liabilities			**10,870**		**10,508**
Taxpayers' equity:					
General fund			7,371		7,787
Revaluation Reserve			3,499		2,721
Total taxpayers' equity			**10,870**		**10,508**

Professor SP Borriello
Chief Executive and Agency Accounting Officer
29 May 2015

The notes on pages 39 to 53 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2015

	Note	2014/15	2013/14
		£000	£000
Cash flows from operating activities			
Net operating income		**340**	**309**
Adjustments for non-cash transactions:			
Depreciation, amortisation and revaluation losses	*3*	331	322
Defra Investigation Services - charged to General Fund	*3*	231	258
Defra Estates settlement - charged to General Fund	*3*	(23)	-
Auditors' remuneration - charged to General Fund	*3*	36	36
(Increase)/decrease in trade and other receivables		(939)	478
Increase in trade and other payables		130	231
of which: decrease/(increase) in accruals for non-current assets		12	(6)
Net cash inflow from operating activities		**118**	**1,628**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(103)
Purchase of intangible assets		(12)	(36)
Net cash outflow from investing activities		**(12)**	**(139)**
Cash flows from financing activities			
Repayment of operational funding		(1,000)	-
Net increase in cash and cash equivalents		**(894)**	**1,489**
Cash at the beginning of the year		**5,486**	**3,997**
Cash at the end of the year	*9*	**4,592**	**5,486**

The notes on pages 39 to 53 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 1 April 2013		**7,184**	**2,990**	**10,174**
Changes in taxpayers' equity for 2013/14:				
Net operating income for the year		309	-	309
Non-Cash adjustments:				
Defra Investigation Services - charged to General Fund	*3*	258	-	258
Auditors' remuneration - charged to General Fund	*3*	36	-	36
Movements in Reserves				
Net loss on revaluation of property, plant and equipment		-	(269)	(269)
Total recognised income and expense for 2013/14		**603**	**(269)**	**334**
Balance at 31 March 2014		**7,787**	**2,721**	**10,508**
Changes in taxpayers' equity for 2014/15:				
Net operating income for the year		340	-	340
Non-Cash adjustments:				
Defra Investigation Services - charged to General Fund	*3*	231	-	231
Defra Estates settlement - charged to General Fund	*3*	(23)	-	(23)
Auditors' remuneration - charged to General Fund	*3*	36	-	36
Movement in Reserves:				
Repayment of Operational Funding		(1,000)	-	(1,000)
Net gain on revaluation of property, plant and equipment		-	778	778
Total recognised income and expense for 2014/15		**(416)**	**778**	**362**
Balance at 31 March 2015		**7,371**	**3,499**	**10,870**

The notes on pages 39 to 53 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2014/15 *Government Financial Reporting Manual (FReM)* and the Accounts Direction issued by HM Treasury.

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

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

1.1 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecast of future events and actions. Where appropriate, the relevant notes to the Accounts provide further detail on estimation techniques.

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

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

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

1.2 Accounting convention

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

1.3 Property, plant and equipment and intangible assets

Land and Buildings are subject to professional valuation at five yearly intervals and stated at fair value, which is valued at Depreciated Replacement Cost applying to specialist buildings. Depreciated Replacement Cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation". Between professional valuations, annual desk top revaluations are conducted, which have regard for prevailing local and national conditions.

Following a review during the year, the minimum level for capitalisation non-property assets was increased from £2,000 to £10,000.

Non-property assets costing £10,000 or more, where there is an expected useful economic life of more than one year, are carried in the Statement of Financial Position at fair value, using appropriate indices provided by the Office for National Statistics.

Intangible non-current assets comprise software licences.

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

1.4 Depreciation and amortisation

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

Asset lives are normally within the following ranges:

Freehold land	Not depreciated
Freehold buildings	42 years (residual life)
Furniture, fittings and office equipment	15 years
IT hardware	5 years
IT software	5-10 years
Software licences	5-10 years

1.5 Impairment reviews

Property, plant and equipment and intangible assets are subject to an annual impairment review. Any impairment will be recognised as required by IAS 36 Impairment of Assets and accounted for as set out in *FReM*.

1.6 Operating income

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

1.7 Revenue recognition

Revenue is recognised in line with IAS 18. Income is recognised when the revenue can be reliably measured and the future economic benefits pertaining to the VMD are probable. Income received in advance of work done is deferred to future periods to the extent necessary to cover the work estimated to be outstanding at the year end. Income receivable for work done in the year is accrued to the extent necessary to cover the work estimated to be complete at the year end.

1.8 Defra service recharges

Defra service recharges are charged to the Statement of Comprehensive Net Income where invoiced. Where Defra service recharges are not invoiced they are charged to the General Fund. Defra services recharges relate to Investigation and Enforcement, Estates Maintenance and Human Resources.

1.9 Value Added Tax (VAT)

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

1.10 Financial instruments

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

1.11 Research and development

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

1.12 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in the Remuneration Report and Note 2.3. The defined benefit schemes are unfunded. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

1.13 Leases

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

1.14 Administration and programme expenditure

All of the VMD's income and expenditure is classified as "Administration". The classification of income or expenditure as administration or programme follows the definition of administration costs as set out in HM Treasury's Consolidation and Budgeting Guidance 2014/15.

1.15 General Fund

The net operating result for each year is transferred from the Statement of Comprehensive Net Income to the General Fund. The General Fund represents the value of the VMD's net assets less liabilities as at 1 April 1991, which is the date from which the first Accounts Direction became effective, plus subsequent external funding movements, plus the accumulated net operating result transferred from the Statement of Comprehensive Net Income.

1.16 Revaluation Reserve

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

1.17 Impending application of newly issued standards not yet effective

The VMD provides disclosure in Note 18 that it has not yet applied a new accounting standard and known and reasonable estimable information relevant to assessing the possible impact that initial application of the new standard will have on the VMD's financial statements.

2. Staff costs

2.1 Staff cost summary

Staff costs consist of the following:

	2014/15			2013/14
	Permanently employed staff	Temporary staff	Total	Total
	£000	£000	£000	£000
Wages and salaries	5,727	410	6,137	6,196
Social security costs	497	-	497	499
Other pension costs	1,119	-	1,119	1,109
Sub-total as reported in Statement of Comprehensive Net Income	**7,343**	**410**	**7,753**	**7,804**
Less recoveries in respect of outward secondments	(46)	-	(46)	(2)
	7,297	**410**	**7,707**	**7,802**

Included in the permanently-employed staff costs is an accrual for untaken annual leave of £221,000, (2013/14: £232,000). This comprises of £174,000 (2013/14: £181,000) wages and salaries, £13,000 (2013/14: £14,000) social security costs and £34,000 (2013/14: £37,000) other pension costs.

2.2 Senior managers' remuneration

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

2.3 Pensions

The Principal Civil Service Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the VMD is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk/).

For 2014/15, employers' contributions of £1,108,754 were payable to the PCSPS (2013/14: £1,090,058) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2013/14 were between 16.7% and 24.3%). The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014/15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £8,519 (2013/14: £7,030) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £644, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

At the balance sheet date, £643 in contributions were payable to the partnership pension providers (2013/14: £472) and no contributions were prepaid (2013/14: £nil).

No individuals retired early on ill-health grounds during the year and therefore no additional pension liabilities have been accrued for this purpose.

2.4 Early departure costs

No redundancy and other departure costs have been paid in this year but were paid in the previous year in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure or earlier where a demonstrable commitment exists.

	2014/15	**2013/14**
Exit package cost band	**Number**	**Number**
Up to £10,000	-	-
£10,001 – £25,000	-	1
£25,001 - £50,000	-	-
£50,001 - £100,000	-	-
Total number of exit packages in cost band	**-**	**1**

There were no compulsory exits in 2014/15 (2013/14: nil).
There were no senior manager exits in 2014/15 (2013/14: nil).

2.5 Staff numbers

The average number of persons employed during the year was as follows.

	2014/15			**2013/14**
	Permanently employed staff Number	**Temporary staff Number**	**Total Number**	**Total Number**
Scientific	52	3	55	53
Administrative	101	5	106	113
	153	**8**	**161**	**166**

The number of staff-in-post (headcount) by gender as at 31 March 2015 was as follows.

	2014/15		
	Male	**Female**	**Total Number**
Directors	2	1	3
Senior Management	-	-	-
Other staff	62	94	156
	64	**95**	**159**

3. Other administrative costs

	Note	2014/15 £000	2013/14 £000
(i) Direct subcontracting costs			
Services provided by Industry		30	32
Services provided by other government departments:			
Food and Environment Research Agency		2,535	2,566
Animal and Plant Health Agency		1,047	813
Food Standards Agency		557	515
Treasury Solicitors Department		59	98
Marine Scotland		88	86
Medicines and Healthcare products Regulatory Agency		18	15
Centre for Environment, Fisheries and Aquaculture Science		11	8
		4,345	**4,133**
(ii) Other costs			
IT systems maintenance		316	300
Travel and subsistence		164	174
Communications		78	87
Training		72	111
Stationery and publications		53	47
Independent expert committees		50	50
Professional programme and technical services		45	41
Document storage		8	23
Office related goods and services		38	17
Internal Audit		38	29
Operating leases		34	32
Movement on provision for bad debts		31	17
Other costs		106	73
		1,033	**1,001**
(iii) Departmental recharges			
Defra service recharges:			
Estates maintenance		296	347
Human Resources		122	127
Statutory Residues programme		(40)	-
Defra Investigation Service - charged to the General Fund		231	258
Defra Estates settlement - charged to the General Fund		(23)	-
Auditors' remuneration - charged to the General Fund		36	36
		622	**768**
(iv) Depreciation, amortisation and revaluation losses			
Depreciation of property, plant and equipment	*6*	276	276
Amortisation of intangible assets	*7*	50	46
Losses on disposal of non-current assets		5	-
		331	**322**
Total other administrative costs		**6,331**	**6,224**

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

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

4. Operating income and costs

4.1 Operating Income

Income was earned from the following business segments:

	2014/15			2013/14
	External	Defra	Total	Total
	£000	£000	£000	£000
Veterinary Pharmaceutical Industry	7,251	5	7,256	7,468
Food Industry	3,880	47	3,927	3,735
Government	46	3,195	3,241	3,134
	11,177	**3,247**	**14,424**	**14,337**

4.2 Operating Costs

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

	2014/15	2013/14
	%	%
Veterinary Pharmaceutical Industry	73	77
Food Industry	3	3
Government	24	20
	100	**100**

5. Key Performance Target

The agency's 2014/15 Business Plan includes one key financial performance target: to achieve +/-2% cost recovery for the VMD as a whole. In assessing performance against this target, a notional Cost of Capital is recorded in addition to the costs included in the Statement of Comprehensive Net Income. For 2014/15 an overall cost recovery of 101% was achieved. However the VMD seeks to achieve cost recovery for each of its three operating components and for 2014/15 the results were as follows:

	2014/15			
	Veterinary Pharmaceutical Industry £000	**Food Industry £000**	**Government £000**	**Total £000**
Income	7,256	3,927	3,241	**14,424**
Expenditure	(6,991)	(3,910)	(3,183)	**(14,084)**
Net Operating Income per Statement of Comprehensive Net Income	265	17	58	**340**
Less: cost of capital charge	(217)	(9)	-	**(226)**
Cost recovery surplus/(deficit)	48	8	58	**114**
Cost recovery performance	101%	100%	102%	**101%**

	2013/14			
	Veterinary Pharmaceutical Industry £000	**Food Industry £000**	**Government £000**	**Total £000**
Income	7,468	3,735	3,134	**14,337**
Expenditure	(7,265)	(3,724)	(3,039)	**(14,028)**
Net Operating Income per Statement of Comprehensive Net Income	203	11	95	**309**
Less: cost of capital charge	(218)	(9)	-	**(227)**
Cost recovery surplus/(deficit)	(15)	2	95	**82**
Cost recovery performance	100%	100%	103%	**101%**

The information in Notes 4.2 and 5 is provided for fees and charges purposes and not for IFRS 8 (Segmental Reporting) purposes.

6. Property, plant and equipment

	Land £000	Buildings £000	IT Equipment £000	Furniture Fittings & Equipment £000	Total £000
Cost or Valuation:					
At 1 April 2014	460	6,925	1,068	299	8,752
Additions	-	-	-	-	-
Disposals	-	-	(75)	(17)	(92)
Revaluation	(169)	(1,981)	11	-	(2,139)
At 31 March 2015	**291**	**4,944**	**1,004**	**282**	**6,521**
Depreciation:					
At 1 April 2014	-	(2,724)	(814)	(261)	(3,799)
Charged in year	-	(202)	(69)	(5)	(276)
Disposals	-	-	74	13	(87)
Revaluation	-	2,926	(9)	-	2,917
At 31 March 2015	**-**	**-**	**(818)**	**(253)**	**(1,071)**
Net Book Value:					
At 31 March 2015	**291**	**4,944**	**186**	**29**	**5,450**
Cost or Valuation:					
At 1 April 2013	430	7,421	1,163	328	9,342
Additions	-	-	103	-	103
Disposals	-	-	(101)	(15)	(116)
Revaluation	30	(496)	(97)	(14)	(577)
At 31 March 2014	**460**	**6,925**	**1,068**	**299**	**8,752**
Depreciation:					
At 1 April 2013	-	(2,725)	(944)	(278)	(3,947)
Charged in year	-	(214)	(51)	(11)	(276)
Disposals	-	-	101	15	116
Revaluation	-	215	80	13	308
At 31 March 2014	**-**	**(2,724)**	**(814)**	**(261)**	**(3,799)**
Net Book Value:					
At 31 March 2014	**460**	**4,201**	**254**	**38**	**4,953**
At 31 March 2013	**430**	**4,696**	**219**	**50**	**5,395**

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

The Land and Buildings were valued at 31 March 2015 by an independent valuer (Montagu Evans) in accordance with guidance issued by the Royal Institution of Chartered Surveyors. Buildings were valued at Depreciated Replacement Cost applying to specialist buildings in accordance with IAS 16, defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation".

7. Intangible assets

	£000
Cost or valuation:	
At 1 April 2014	931
Additions	-
Disposals	-
At 31 March 2015	**931**
Amortisation:	
At 1 April 2014	(771)
Charged in year	(50)
Disposals	-
At 31 March 2015	**(821)**
Net Book Value:	
At 31 March 2015	**110**
Cost or valuation:	
At 1 April 2013	892
Additions	42
Disposals	(3)
At 31 March 2014	**931**
Amortisation:	
At 1 April 2013	(728)
Charged in year	(46)
Disposals	3
At 31 March 2014	**(771)**
Net Book Value:	
At 31 March 2014	**160**
At 31 March 2013	164

Intangible assets comprise software licences.

8. Trade receivables and other current assets

	2014/15	2013/14
	£000	£000
Amounts falling due within one year:		
Trade receivables	2,304	1,312
Balances with other central government bodies	4	2
Other receivables	7	7
VAT recoverable	46	56
Prepayments	123	118
Accrued Income	895	943
	3,379	**2,438**

Amounts falling due after more than one year:		
Other receivables	11	13
Total trade receivables and other current assets	**3,390**	**2,451**

Trade receivables are shown net of a provision of £46,000 (2013/14: £24,000) for bad and doubtful debts. The provision is calculated according to the age and status of the debt and recent sector-specific debt-recovery information.

Included in receivables there are no balances with local authorities, NHS bodies, public corporations or trading funds (2013/14: £nil).

Balances with other central government bodies at the year end includes £4,000 with Defra and its agencies (2013/14: £2,000).

9. Cash and cash equivalents

	2014/15	2013/14
	£000	£000
Balance at 1 April	5,486	3,997
Net change in cash and cash equivalents	(894)	1,489
Balance at 31 March	**4,592**	**5,486**

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

10. Trade payables and other current liabilities

	2014/15	2013/14
	£000	£000
Amounts falling due within one year:		
Trade payables	21	75
Balances with other central government bodies	1,014	522
Balances with public corporations and trading funds	1	-
Other taxation and social security	157	151
Accruals	282	318
Deferred Income	1,197	1,476
Total trade payables and other current liabilities	**2,672**	**2,542**

Included in payables there are no balances with local authorities or NHS bodies (2013/14: £nil).

Balances with other central government bodies at the year end include £814,000 owing to Defra and its agencies (2013/14: £294,000).

At the year end the VMD had no payables falling due after more than one year (2013/14: £nil).

11. Capital commitments

There were no contracted commitments at 31 March 2015 (2013/14: £nil).

12. Commitments under operating leases

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

Obligations under operating leases comprise:

	2014/15	2013/14
	£000	£000
Contract Hire cars		
Not later than one year	6	25
Later than one year not later than five years	7	3
Total	**13**	**28**

13. Other financial commitments

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

	2014/15	2013/14
	£000	£000
Not later than 1 year	182	173
Later than 1 year but not later than 5 years	728	693
Later than 5 years but not later than 10 years	728	867
Total	**1,638**	**1,733**

14. Losses statement

Managing Public Money requires a statement showing losses and special payments by value and type to be shown where they exceed £300,000 in total, and those individually that exceed £300,000.

Losses may relate to cash and stores losses, book-keeping losses, losses arising from failure to make adequate charge for the use of public property or services, fruitless payments and claims abandoned as well as frauds. Special payments may relate to extra contractual, extra statutory, and ex gratia payments and compensation.

There were no losses or special payments that need to be reported in accordance with *Managing Public Money*.

15. Related party transactions

As the VMD is an Executive Agency of Defra, Defra is regarded as a related party. During the year, the VMD has had significant transactions with Defra and a number of its agencies, including the Animal and Plant Health Agency (APHA), Food and Environment Research Agency (Fera) and Centre for Environment, Fisheries and Aquaculture Science (CEFAS).

The VMD has transacted with various other central government bodies. Most of these transactions have been with the Medicines and Healthcare products Regulatory Agency (MHRA), Food Standards Agency (FSA), Treasury Solicitors Department (TSol) and Marine Scotland. None of the board members, key managerial staff or other related parties has undertaken any material transactions with the VMD during the year other than reimbursement for travel and subsistence in the normal course of business.

16. Financial instruments

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

17. Contingent liabilities

There were no contingent liabilities as at 31 March 2015 (31 March 2014: nil)

18. Impending application of newly issued standards not yet effective

The VMD has reviewed the IFRSs in issue but not yet effective to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new interpretations and any new amendments to IFRSs and Interpretations. It has been determined that the following new standards relevant to the VMD were issued but not yet effective.

IFRS 13 Fair Value Measurement

This standard has not been adopted by the VMD ahead of its implementation date. The future impact of this is not considered to be significant.

The VMD has also reviewed the changes in the *FReM* and determined that there will be no significant impact on the accounts from 2014/15.

19. Events after the reporting period

The VMD's financial statements are laid before the House of Parliament by the Secretary of State for Defra. In accordance with the requirements of IAS10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Up to the date of issue, there have been no events since 31 March 2015 that would have a significant impact on the Annual Report and Accounts or would be likely to have a significant impact on the future performance of the VMD.

Glossary

AMR	Antimicrobial Resistance
APHA	Animal and Plant Health Agency
ARAC	Audit and Risk Assurance Committee
BEST	(Defra's) Built Environment Sustainability Team
CEO	Chief Executive Officer
COO	Chief Operating Officer
CEFAS	Centre for Environment, Fisheries and Aquaculture Science
CETV	Cash Equivalent Transfer Value
CMS	Concerned Member State
CVMP	Committee for Medicinal Products for Veterinary Use
DARC	Defra Antimicrobial Resistance Coordination Group
Defra	Department for Environment, Food & Rural Affairs
DG SANTE	Directorate General for Health and Consumers – European Commission
DH	Department of Health
EC	European Commission
EMA	European Medicines Agency
EMB	Executive Management Board
EMRN	European Medicines Regulatory Network
EU	European Union
Fera	Food and Environment Research Agency
FReM	Financial Reporting Manual
FSA	Food Standards Agency
FTE	Full Time Equivalent
GSI	Government Secure Intranet
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IiP	Investors in People
IT	Information Technology
KPI	Key Performance Indicators
MA	Marketing Authorisation
MAFF	Ministry of Agriculture, Fisheries and Food
MB	Management Board
MHRA	Medicines and Healthcare products Regulatory Agency
NAO	National Audit Office
NED	Non-Executive Director
OGD	Other Government Departments
PCSPS	Principal Civil Service Pension Scheme
PFI	Public Finance Initiative
R&D	Research and Development
RMS	Reference Member State
SARs	Suspected Adverse Reactions
TSol	Treasury Solicitors Department
VFM	Value For Money
VMD	Veterinary Medicines Directorate
VMR	Veterinary Medicines Regulations
VMP	Veterinary Medicinal Product
VPC	Veterinary Products Committee

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