

Animal and Plant Health Agency

Annual Report and Accounts 2014/15

Animal and Plant Health Agency Annual Report and Accounts 2014/15

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Highlights 2014/15

Working to safeguard animal and plant health for the benefit of people, the environment and the economy.

<p>The Animal and Plant Health Agency (APHA) was launched on 1 October 2014. It merged the former Animal Health and Veterinary Laboratories Agency (AHVLA) with parts of the Food and Environment Research Agency (FERA) responsible for plant and bee health to create a single agency responsible for animal, plant and bee health. The new agency will help maintain and enhance operational resilience, flexibility to adapt to changing government policy requirements and emergency response capacity for both plant and animal health. Each part of the organisation has very different technical and scientific expertise, vital for their individual roles; there are skill sets that are common across all the inspectorates. The larger numbers of staff working together will allow the development of improved professional development in field inspection, enforcement and quality systems as well as improvements in the science of risk based inspection systems.</p>	<p>Our robust and thorough approach to tackling an avian influenza (AI) outbreak in November meant we were able to lift restrictions at the earliest possible point allowed by the EU. AI was confirmed at a duck farm in East Yorkshire on 16 November 2014. Immediate action was taken to control the outbreak. We introduced a 10km restriction zone and a cull of all 6,000 birds on farm was carried out to prevent any potential spread of infection. All restrictions, in relation to the outbreak, were lifted on 21 December 2014.</p>
<p>APHA hosted the 6th International Conference on Mycobacterium bovis in Cardiff, along with the British Cattle Veterinary Association (BCVA), Welsh Government and Defra. The conference discussed TB eradication and brought together veterinary practitioners, medical and veterinary research scientists, epidemiologists, policy makers, social scientists and economists from around the world.</p>	<p>APHA won 'Best Stand in Show' at the GroSouth Horticultural Exhibition. The APHA stand promoted key messages around plant health biosecurity. GroSouth Horticultural Exhibition is a premier exhibition in the South of England for the horticultural industry. APHA also attended the Chelsea Flower Show where the agency was awarded a bronze medal.</p>
<p>Last October the UK Government issued a call for suitably experienced scientists to assist with the mounting humanitarian crisis in West Africa caused by the outbreak of Ebola. APHA staff worked as part of a team of volunteer scientists working in a Public Health England (PHE) Ebola diagnostic laboratory near Makeni in Sierra Leone.</p>	

¹ <http://www.grosouth.co.uk/>

² <http://tacklingbovinetb.tumblr.com/post/89949898913/global-collaboration-at-international-m-bovis>

Chair's Statement



2014/15 has been an exciting and challenging year for AHVLA and, from 1 October 2014, APHA. Good progress has been made in establishing the new Agency and it is beginning to deliver the benefits of a more co-ordinated approach to managing the risks of animal, plant and pest diseases.

The management of two avian influenza outbreaks, in quick succession, saw all parts of APHA work together and deliver a quick and thorough response to managing the outbreaks. Protecting our country from animal diseases is important for our economy and APHA's robust approach in tackling these outbreaks meant the UK was able to lift restrictions applied to poultry units in affected areas at the earliest possible point.

APHA has also delivered many of its commitments made in 2014/15. Specifically, the successful introduction of a new model for the delivery of TB services to farmers in England and Wales, and the introduction of a successful framework for the provision of veterinary services across government. This change will see the quality and scope of overall TB testing services significantly increase. In addition, the price paid by the taxpayers for TB testing (which costs in excess of £20 million per year) can more clearly be shown to represent value for money.

APHA is an evidence-based organisation and continues to strengthen its scientific capability, with the formation of a Science Advisory Board, recruiting six new external scientists to provide scrutiny and advice across APHA's remit.

The way that the organisation has delivered despite economic pressures and changes, demonstrates the skill and expertise of its staff and the robustness of the business processes that it has in place. I am confident that APHA has the capacity and capability to deliver with purpose and confidence in the future.

Alexis Cleveland
APHA Chair
2nd July 2015

Chief Executive's Introduction



This report and set of annual accounts includes the work of AHVLA from 1 April 2014 to 30 September 2014; and the first six months of operation for APHA following its creation on 1 October 2014.

It has been a challenging year in terms of establishing the new agency and striving to improve the effectiveness and efficiency of delivery of government animal and plant health services whilst also continuing to fully meet the expectations of our various customers.

In collaboration with key stakeholders across the UK administrations we have delivered a wide range of complex services this year, including the response to two outbreaks of avian influenza. We have also made a great start at realising many benefits that the new agency will now bring, such as:

- Greater available capacity and capability to deal with a pest, plant or animal disease outbreak.
- New delivery models for the provision of government veterinary services and TB testing.
- Continued implementation of the Surveillance 2014 project.
- Greater partnership working with Universities.

These are delivering savings to the public purse and further improving opportunities for collaborative working.

We continue to ensure that science of the highest quality remains at the heart of what we do – providing advice to policy makers and in field delivery, and supporting our people to deliver their best work.

I would like to thank our customers and stakeholders for their support during the year and I would particularly like to thank all my colleagues in APHA who have worked hard to ensure the delivery of our services to the customers who need them in a challenging and changing environment; as well as working with us to realise the many opportunities that the new agency brings.

Chris Hadkiss
APHA Chief Executive
2 July 2015

STRATEGIC REPORT

About APHA

What we do

We work to safeguard animal and plant health for the benefit of people, the environment and the economy.

Who we are

Our headquarters is located in Weybridge, Surrey. We employ over 2,000 staff, at various sites across the UK.

Our responsibilities

We are responsible for:

- Identifying and controlling endemic and exotic diseases and pests in animals, plants and bees, and surveillance of new and emerging pests and diseases.
- Scientific research in areas such as bacterial, viral, prion and parasitic diseases and vaccines, and food safety.
- Ensuring high standards of welfare in farmed animals.
- Facilitating trade in animals and in products of animal origin, plants and seeds.
- Ensuring improvements in the breeding of plant varieties.
- Protecting endangered wildlife through licensing and registration.
- Managing a programme of apiary (bee) inspections, diagnostics and training and advice.
- Regulating the safe disposal of animal by-products to reduce the risk of potentially dangerous substances entering the food chain.
- Ensuring genetically modified (GM) crop trials are carried out in accordance with statutory requirements and auditing seed importers to minimise the risk of unauthorised GM crops being planted.

Our customers

Our main customers are Governments within the UK. For all UK administrations we maintain an essential disease investigation and response capability and support a strong trade in plants, animals and associated products through effective certification, audit and inspection. We help protect our borders through effective import controls of animals, plants, seeds and products of animal origin.

APHA contributes significantly to the eradication of bovine TB, through our proactive intervention, effective delivery and accurate management

information to inform the understanding of the bovine TB picture in England, Scotland and Wales.

Northern Ireland has a separate veterinary service but draws on elements of APHA's services including laboratory capability and export facilitation.

The particular emphasis of our other government customer is summarised below.

Defra

We work with Defra to maintain England's biosecurity, ensuring that England has a healthy and viable agricultural sector. We do this by maintaining both capability and capacity in the key areas of inspection, veterinary investigation, disease surveillance, testing and diagnosis, scientific research, disease and pest containment and eradication, and post outbreak recovery.

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

Welsh Government

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

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

Scottish Government

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

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

Additional Services

APHA offers additional services to the veterinary and scientific community, industry and the public including:

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

Risks and issues

For an assessment of the agency's risks and issues, refer to page 44 to 46 under the heading 'Assessment of Risks and Issues'.

Statement of Intent

Our Purpose

Working to safeguard animal and plant health for the benefit of people, the environment and the economy.

Our Vision

We will be recognised as the Agency that:

- Is the provider of choice for Animal Health & Welfare, Plant and Bee Health Services.
- Reduces the risk from new and emerging threats.
- Rapidly controls pest and disease outbreaks.
- Provides science based evidence and advice which informs policy makers.

What we will do

- We will provide expertise and evidence derived from a programme of problem solving research and field and laboratory based surveillance and intelligence gathering. This will in turn enable our policy customers to make informed decisions.
- We will provide an efficient regulatory inspection service to meet domestic and international statutory obligations and we will advise and support the industry as a whole to comply with legislation and we will carry out our enforcement role in a proportionate and effective way.
- We will look to restructure our organisation to enable us to work more closely and consistently with our customers, industry and other agencies which will in turn enable us to provide a robust outbreak/incident management capability.
- We will provide cost effective services to those we interact with and we will seek to review current charges; we will implement new charges for our services in a way that recognises the need to reduce the cost to taxpayers without imposing disproportionate burden on businesses.
- We will take pride in the safe delivery of effective and innovative solutions to policy challenges, by having the right people with the right skills, entrusted to do the right thing.

How will we do it

- Prevent incursion of diseases, threats, invasive non-native species, pests and pathogens while enabling trade.

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

Our Work

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

Managing Disease Outbreaks

Our top priority remains the control and eradication of animal and plant diseases and pests. During 2014/15 we continued to work with our customers to assess our capability and capacity during an outbreak of notifiable disease and were able to test these during the two outbreaks of avian influenza. We were able to deploy staff on the ground, use our scientific and laboratory expertise, and make use of centralised teams to ensure that we managed these outbreaks efficiently and as quickly as possible.

Bovine Tuberculosis (TB)

Activities to control and eventually achieve freedom from bovine TB remain the most resource intensive part of APHA's business.

In England we implemented further measures in the Low Risk, High Risk and Edge areas to help farmers manage bovine TB on their premises. (TB testing intervals are based on the level of disease risk. Herds in the low risk areas are tested every four years and herds in the high risk areas and the edge areas are tested annually, except the edge area part of Cheshire.)

In January we also introduced a service offering free bespoke veterinary advice to farmers within the licensed badger cull areas in England on how to reduce the risk of bovine TB on their farm. This will run over the next two years as part of the Farm Level Risk Management project. We provide keepers with tailored reports for each of their holdings, showing the number of incidents of TB recorded over the last five years, the cattle movement history and other risk-related information. Reports will be issued to keepers in batches over the two year period. Keepers will also have the option of receiving a free farm visit from a private vet, who will discuss the tailored report and provide bespoke advice and guidance on preventing bovine TB.

In Wales we worked with the Welsh Government to increase the amount of TB tests subject to a zero tolerance approach when tests are completed late; and we supported policy change in Wales relating to re-movement exemptions within existing Sole Occupancy Authorities.

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

We continue to carry out important research and development work to support our policy customer's policies on bovine TB and we have successfully developed an oral vaccine bait that is attractive and capable of delivering live BCG vaccine to wild badgers, which is needed to successfully vaccinate

badgers on a large scale. BCG (*Mycobacterium bovis* *Bacille Calmette-Guérin*) is currently the most suitable cattle TB vaccine.

Cattle TB vaccine studies performed at APHA have demonstrated that BCG vaccination of cattle can offer protection for at least 24 months and that cattle vaccinated two years previously can be successfully re-vaccinated with BCG. Used alongside other bovine TB control measures, vaccination could in future reduce how widespread and severe the disease is in cattle. However, there is currently no licensed cattle vaccine and we continue to develop the DIVA³ test which will differentiate between vaccinated and infected animals.

International Trade

APHA's Plant Health and Seeds Inspectors played a key role in enabling the ban on Indian mango imports into the European Union to be lifted in January.

Indian mango shipments to the EU were suspended in May 2014 after fruit flies were found in consignments. A European Commission committee voted unanimously to lift the ban on 20 January, noting there had been 'significant improvements' in India's mango export processes.

APHA's Plant Health and Seeds Inspectors undertook a range of activities to support the Indian government and the mango industry. This included delivering training in Mumbai on EU plant health import controls and pest and disease detection to approximately 60 plant health officials and more than 150 trade representatives. APHA also provided advice on strengthening phytosanitary (plant health) controls throughout the supply chain, and worked closely with importers and trade associations in the UK in order to keep them up-to-date with the reasons for the ban, its timing and extent.

The team at APHA's Centre for International Trade at Carlisle is a multidisciplinary team of veterinary and administrative staff who work closely with Defra policy colleagues to negotiate and protect access to markets for animals and animal products and provide exporters with the certificates they need to trade with third countries.

In 2014 we supported exports growth of 10%, over the previous year, to countries outside the European Union giving a total value of £1.560 billion for the year. We opened up 112 new markets, and overhauled the certificate issuing service to provide exporters with a 24 hour turnaround time; this is a huge improvement compared to the previous 7-10 day turnaround and is a timescale comparable with other EU countries.

The changes introduced by Carlisle enable GB exporters to compete more easily for new markets and growth opportunities. The service improvement which was welcomed by all export sectors was developed by the APHA team without significant cost. Additionally the development of the new process enabled internal cost savings.

³ <https://www.gov.uk/government/publications/2010-to-2015-government-policy-bovine-tuberculosis-bovine-tb/2010-to-2015-government-policy-bovine-tuberculosis-bovine-tb#appendix-2-cattle-vaccines>

Animal Welfare

A key part of our work is the need to protect the welfare of animals on farm, during transport to and from markets, on all other journeys and at slaughter.

In 2014/15 we continued to conduct the annual risk based programme of welfare inspections under the EU Cross Compliance regime on behalf of the Scottish Government, the Welsh Government and Defra

In addition to this we have:

- Responded to reports of welfare problems in livestock, through an appropriate risk based surveillance and inspection regime and taken appropriate regulatory and enforcement action when required.
- Regulated and approved animal transporters and ensured that enforcement action was taken against non-compliance.
- Continued to develop the risk models that underpin all our welfare work to reflect earned recognition of animal keepers through membership of farm assurance schemes.

Wildlife Licensing and Registration

APHA is part of the UK CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) management authority. CITES is an international agreement between governments that came into force in 1975. The import, export and use for commercial gain of certain species requires a CITES permit and APHA dealt with 15,535 CITES applications and 47,965 licences.

We have continued to operate the bird registration system for Great Britain, on behalf of Defra under Section 7 of the Wildlife and Countryside Act 1981, where any captive bird of a species listed in Schedule 4 of the Act (as amended) must be registered with APHA. The Agency has also continued to operate the bird registration system for Great Britain, on behalf of Defra (for keepers located in England), for the Scottish Government (for keepers located in Scotland), and for the Welsh Government (for keepers located in Wales).

Plant Health

The Plant Health Team implements and enforces plant health policy in England, and in Wales on behalf of the Welsh Government.

In 2014/15 we were asked by Defra as part of the focus on improving awareness of plant health issues to increase engagement work with stakeholders. This led to the formation of a small, Defra funded team which has been successful in achieving improved engagement, for example, working with the Ministry of Justice regarding biosecurity at their premises and working with supermarket groups to provide biosecurity training for buyers.

The Plant Varieties and Seeds team was audited and gained UPOV (the International Union for the Protection of New Varieties and Plants) Entrustment status. This is essential for the agency in delivering its regulatory requirements.

National Bee Unit

The National Bee Unit (NBU) delivers the Bee Health Programmes on behalf of Defra and the Welsh Government. It has been involved in the management and control of bee pests and diseases, along with training and dissemination of information to beekeepers for over 60 years.

In 2014/15 the NBU continued to provide an apiary inspection programme and has provided extensive training and advice to customers and stakeholders, which has contributed to protecting the honey bee. Support has also been provided to the Scottish Government and their inspectors.

We have also contributed to a comprehensive research programme which covers varroacides development, EU-wide colony loss surveillance and the economics and biology of pollination. We are also a partner in the Insect Pollinators Initiative (IPI)⁴.

GM Inspectorate

Defra is responsible for the control of the deliberate release of genetically modified organisms (GMOs) in England, and for national, EU and international policy on the environmental safety of GMOs. In October the GM Inspectorate (GMI) joined the Plant and Bee Health Teams under APHA's Inspectorates' Programme. The GMI provides Defra's GM Policy and Regulation Team with GM inspection and enforcement services for the deliberate release of GMOs; and the V&S Policy Team with an annual programme of audits to manage adventitious GM presence in seeds of at-risk crop species.

⁴ <http://www.bbsrc.ac.uk/funding/opportunities/2009/insect-pollinators-initiative/>

Our Performance

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

Our 2014/15 targets are summarised at Annex A.

Corporate Objectives

We had 9 corporate objectives for 2014/15. Of these, 5 were met. There were 4 that were met in part:

- *To meet agreed financial performance and efficiency targets* – the agency has aimed to increase its non-government funding through implementation of charging for services currently provided for free. APHA were unable to progress this in 2014/15 due to a decision to delay the progression of this work in wider government. It is hoped that this work will progress in 2015/16.
- *To achieve delivery of Service Level Agreements* – Details of APHA's performance against these can be read below in Operational Performance Measures.
- *Continue to Improve the Health and Safety culture of the agency* – this was met in part and we have carried out root cause analysis and lessons learned for all incidents and a clear programme of management checks are in place, but we have not yet gained RoSPA accreditation.
- *To ensure staff are happy and healthy and proud to work for APHA* – The framework of Investors in People continued to be followed across the year although as a new agency APHA has to reapply for accreditation.

Operational Delivery

For 2014/15, APHA agreed with policy customers, a concentrated set of new Key Performance Indicators (KPIs) for our animal field work to demonstrate progress against key work activities including new quality and outcome indicators. In 2014/15 there were 24 agreed KPIs with targets levels set and a further three new KPIs where specific targets could not be set due to lack of historical trend but performance has been assessed directly by our policy customers and has met or exceeded expectations.

Several new quality and outcome KPIs and legacy KPIs performed exceptionally well. Highlights include:

- Three new KPIs covering the quality of Export Health Certificates, bird registration documents and CITES permits issued by APHA exceeded the target level by a wide margin.

- A new KPI in Wales to reduce the number of persistent bovine TB herds (18 months + duration) was met six months early.
- All immediate level exotic disease veterinary inquiries were responded to on time.

Out of the 24 KPIs with agreed targets, 17 KPIs were met or exceeded. Four were slightly below target and three were further away from target:

Targets for plant and bee health focused on meeting our regulatory responsibilities in these areas. They built upon Defra's priorities for plant and bee health and included objectives for genetic modification (GM) and plant varieties and seeds (PVS). For the three principal areas – surveillance and action, trade facilitation and imports – all targets were achieved except for the inspection of 65% of 'other controlled' goods where 60% was achieved. We have kept our policy customers informed of progress against this target and in agreement with them agreed to inspect an increased number of non-controlled commodities, which may represent a higher quarantine risk for the UK. We continue to have the highest interception rate of quarantine pathogens in the EU.

Science Measures

Measures for science were focussed around scientific publications, delivery of research milestones and annual and final reports to customers, surveillance deliverables, working to the necessary health and safety legislation and maintaining third party quality accreditations.

Publication of scientific research is important to maintain national and international reputation and collaborations. The 2014/15 target was 220 publications and we achieved 299 publications.

Science performance metrics achieved for 2014/15:

95% of our research project milestones, 160 out of 179
 100% of our surveillance deliverables, 103 out of 103
 100% of annual reports for Defra research, 30 out of 30
 100% of final reports for Defra research, 17 out of 17

All external third party quality accreditations were successfully maintained.

Working sustainably

As part of a sustainable development strategy, the Civil Service encourages both companies and public bodies to disclose their sustainability and environmental performance via their annual reports and accounts. During the year we remained committed to improving the environmental performance of our business operations, preventing pollution and, where practical, following best practice in environmental management. Energy and water consumption figures are based on billed amounts and therefore subject to adjustments in subsequent periods.

The scope of the report is aligned to the Greening Government Commitments (GGC). As APHA was a newly formed Agency in 2014/15, for comparison of the data against the previous year, we have used data from the former AHVLA and likewise for the 2012/13 baseline figures.

Performance Summary

By 2015, as part of the GGC APHA aimed to:

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

Sustainability data

Year	2011/12	2012/13	2013/14	2014/15
GHG tonnes	21,318	20,762	21,098	22,429
Scope 1	10,250	11,512	11,413	10,338
Scope 2	9,157	8,073	8,522	10,727
Scope 3	1,910	1,177	1,164	1,364
Waste tonnes	1,861	1,826	1,477	1,777
recycled / reused	227	181	160	291
composted	2	2	2	2
incinerated with energy recovery	1,006	1,177	763	960
incinerated without energy recovery	554	414	501	476
landfilled	72	52	51	48
Water m3	218,940	203,149	204,975	204,348

GCC Targets

CO2 Reduction 2014/15 vs. baseline	Target 2015	Current performance
-25%	-25%	On Target
Waste Reduction last 4 quarters vs. baseline	Target 2015	Current performance
-31%	-25%	Ahead Target
Water Reduction vs. baseline	Target 2015	Current performance
-23%	Improve on Baseline	Ahead target
Domestic Flights vs. baseline	Target 2015	Current performance
2%	-20%	Behind Target

Expenditure against these targets for 2014/15 is £260k on air travel and £330k on water. Expenditure on waste is included in a number of lease and rental agreements and a single figure is not available.

The major contributing factor to our carbon foot print is the Weybridge site, due to the scale and nature of the work carried out on site. We remain committed to continue taking part in the Carbon Reduction Commitment to help us, along with Defra and our facilities management provider, identify and review opportunities for improving energy efficiency.

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

APHA staff use hire cars for travel, the contract is with Enterprise cars and the CO2 emissions produced by the cars used by APHA staff was 150,666kg in 2014/15.

The GGC targets were due to end on 31 March 2015 but have been extended for a further 12 months. Reporting on the GGCs will continue as normal in 2015/16.

Chris Hadkiss
Chief Executive
2 July 2015

DIRECTORS REPORT

Working with others

We want to be the provider of choice to policy customers to ensure that we can provide a complete service to deliver plant and animal health and welfare policy and also respond effectively to outbreaks of exotic notifiable disease. We have worked hard this year to keep our customers abreast of the developments within the Agency in terms of structural and staff changes as well as projects to enhance service delivery.

One important change, developed with customers during the course of the year, was the implementation of a new surveillance model in England and Wales for veterinary scanning surveillance. The new model improves the effectiveness of surveillance by making better use of the expertise of private vets, universities and the livestock industry as well as retaining the existing APHA veterinary network.

This included improving access to diagnostic support for private veterinary businesses and enhanced scanning surveillance, through supplementing APHA operated Veterinary Investigation Centres by:

- The Royal Veterinary College – serving areas of East England
- SAC Consulting Veterinary Services – serving areas in North East England
- The University of Bristol – serving areas of South West England
- The University of Surrey – serving the East Midlands and South East and parts of the East, South West and North West England

By adding additional post-mortem examination (PME) providers to APHA's network of post-mortem centres, and through the introduction of a funded carcase collection and transport service to serve areas more than one hour from a PME centre, APHA is increasing the proportion of livestock holdings with good access to diagnostic and surveillance sites.

APHA has also modernised its relationship with suppliers of veterinary services to ensure the efficient delivery of animal health and welfare policies in a way which more effectively meets the needs of the taxpayer, the farmed livestock industry and the veterinary profession.

Contracts have been awarded to supply a flexible package of veterinary services across seven regions covering England and Wales. From 1 April 2015 in Wales and 1 May 2015 in England APHA will manage TB testing and other veterinary services in England and Wales through suppliers, known as Veterinary Delivery Partners, who have successfully tendered for this work in five geographical regions covering England and two regions covering Wales.

The changes do not apply in Scotland.

All services currently delivered by OVs fall under the terms of the new contracts, including:

- TB testing in cattle.
- TB testing non-bovines and other government paid work, notably brucellosis testing and anthrax investigations.
- Incident response including provision of vets to assist APHA in a disease outbreak.

By introducing well-structured regional contracts, APHA is modernising its partnership with the veterinary profession to deliver the best quality of service to ensure that on-farm testing is as effective as possible in detecting disease which will deliver the best value for the taxpayer.

In 2014/15 APHA has also continued to develop its partnership with universities. We have formed close links with academia including the Universities of Newcastle, Oxford, Surrey and the Royal Veterinary College. These partnerships involve joint posts and fellowship positions in addition to collaborative working. A number of benefits accrue to all parties and UK government. These include sharing expertise as well as training the next generation of scientists for the UK - this is important because skills are scarce in some areas. Access to capabilities, facilities and closer working bring academic expertise to bear on some of the important scientific questions on which APHA is working. We have many other important collaborations with academia, research institutes and industry across the UK, which help us to deliver our science.

We continue to develop our international networks as we are the international reference laboratory for over 20 veterinary pathogens for the EU, OIE, FAO, WHO. By membership of EU reference laboratory networks and by working in collaboration with scientists across the globe on research projects we are able to address key questions. This contributes to horizon scanning so we know what is happening on the ground. It gives our scientists and vets direct experience of working with exotic diseases that we do not have currently in the UK and provides access to expertise and facilities, enhancing our responsiveness and resilience.

Our capabilities

We have the capability and commitment to deliver a wide range of plant, animal and public health policies for the different Government Administrations. This ranges from field activity through to specialist laboratory and scientific services. As well as maintaining a key capability to respond to animal, pest and plant disease emergencies in the field in Great Britain, we also, through our reference laboratory function, support the management of disease in Northern Ireland, the European Union and worldwide.

The creation of APHA also allowed for an opportunity to look at the Agency's estate and make sure that it fully meets operational delivery requirements

within 'business as usual' and in the event of a disease outbreak, while minimising its cost. Work on this will continue in 2015/16.

One of our top priorities is working with our policy customers, operational partners and industry to ensure that together we are ready to deal with any outbreak of pest, plant or animal disease outbreak that might occur.

Our contingency plans have been developed with customers and key delivery partners, and we carry out regular exercises to ensure that they work well and are effective. Throughout 2014/15, APHA has continued to assess resilient capacity and capability. The internal Emergency Readiness Management Assurance Scheme (ERMAS) mechanism and the exercise schedule has allowed staff to complete simulated tests of IT processes, decision making and the mobilisation of services. APHA carried out four exercise events in 2014/15 to test contingency plans.

Capability in APHA is not just about people and the ability to deal with disease outbreaks. We also want to ensure that our IT is fit for purpose and able to help deliver on our commitments.

Information Technology (IT) in APHA is delivered by corporate teams. This includes an in house development team and a range of information services. Major infrastructure, development and desktop services are provided by outsourced IT suppliers. In 2014/15 we saw the completion of the Business Reform Programme (BRP).

The BRP has transformed how APHA is able to operate; sharing work across locations, increasing efficiency and enabling external veterinarians to receive and submit TB results electronically.

From 1 October 2014, some IT services within APHA moved to a team in Defra; this included Technology, Service Management and Library Services. The services retained in APHA include Knowledge and Information Management and specialist Data Services.

Supporting our success

Our People

APHA is committed to developing its people to meet the challenges we face. We have done this by continued investments in learning and development for our veterinary, scientific, and inspection staff. This included a comprehensive programme of training and specialist conferences, which provided an opportunity to refresh current knowledge, learn new skills, network across the agency and hear about changing legislative requirements.

Health and safety of our people remains of paramount importance and we have delivered an extensive range of health and safety training during 2014/15. This has included driving and cattle handling, training in high containment work in laboratories and on good microbiological practice.

We delivered a series of Leadership Conferences targeted at all APHA's leaders and managers. These events highlighted leadership as a 'valued profession', developing skills and behaviours around what makes an effective visible leader. The conferences also delivered training on four key business capability priorities; Personal Impact and Effectiveness, Coaching, Regular Performance Discussions and Constructive Conversations.

Our SCS and Grade 6s and 7s continue to take advantage of the Civil Service/Defra's Talent Programmes. Recognising a gap in provision, APHA successfully launched its own programme in July 2014 to offer all high potential staff (whatever their grade) access to a Talent Programme. To date, 326 staff have joined APHA's programme.

APHA's Organisational Capability team provides specialist training to meet the needs of the various technical groups in the Agency and meet overall business requirements. An 86% increase in training delivered over 2014/15 has supported our people to develop their competence across the range of our core activities, underpinning our business priorities.

We took part in the Civil Service-wide People Survey to look at employee engagement and find out what our people are feeling about the agency and what we could do better in terms of working together. The overall results saw an increase on the Engagement score of 2% from the previous year, to 48% and an action plan has been put in place to address staff concerns.

AHVLA maintained its Investors in People (IIP) accreditation; however upon creation of APHA, a review of the new agency is needed for accreditation to be awarded. This work will be reviewed and taken forward in 2015/16 by APHA and Defra.

For information on pension schemes, see the remuneration report on pages 50-56 and the notes to the accounts on pages 65 -88.

Our Science

High quality, robust science is fundamental to how we operate. The evidence that we generate from our scientific activity feeds into our advice that supports new policy development, which in turn generates and defines the field work that we deliver. Through this cycle we have unique opportunities to interact with a wide range of customers and stakeholders.

A lot of what we do is not visible to those outside government but plays an important part in ensuring we meet our goal of safeguarding animal and plant health.

Highlights this year include:

Bacteriology & Food Safety

- Implementation of new EU monitoring requirements for antimicrobial resistance.
- First detection of livestock-associated MRSA in pigs.
- New species of *Brucella* identified by the Reference Laboratory as a result of international work.

Bovine TB

- As part of a multi-disciplinary study, APHA mapped the rate of spread of endemic bovine TB in England and Wales.
- TB researchers at APHA are part of a collaborative project led by the University of Cambridge to help control bovine TB in Ethiopia.
- Immunology studies identified potential new TB antigens.

TSE and Animal By-Products

- N-pyroglutamyl- prion proteins: mass spectrometry provides breakthrough towards an understanding of the molecular mechanisms of TSE pathology.
- *In vitro* protein cyclic misfolding assay can detect BSE prions in small ruminant TSE samples.
- BSE phenotype is maintained upon maternal transmission in sheep.

Viral Diseases

- Identified the first cases of avian reovirus (ARV) infection in magpies in the UK.
- Confirmation of the first UK reported case of polioencephalomyelitis in pigs caused by a neuroinvasive Sapelovirus.
- Identification of novel viral microRNAs which could help diagnosis of elephant herpes virus.
- Confirmed Newcastle disease following an outbreak of an unknown bird disease in two poultry flocks on the remote island of St Helena in the South Atlantic.

Wildlife

- Successful completion of a project to capture, health screen and release beavers on the River Otter in Devon.
- First identification of *Trichinella pseudospiralis* from a fox in the UK.
- Launch of a new MSc in Wildlife Management at Newcastle University in association with APHA National Wildlife Management Centre.

Scanning Surveillance

- Detection of a significant variant of the rabbit haemorrhagic disease virus in England.
- *Neospora canium*, a pathogen rarely found in sheep, identified as the cause of neonatal lamb spinal/limb deformities in one flock, in the absence of Schmallenberg virus.
- First detection of bovine astrovirus-associated encephalitis in cattle in the UK.

APHA Scientific

APHA Scientific is the brand used to market goods and services to non-UK government and non-EU commission customers. APHA Scientific's commercial income (£5.8m) fell by 4% and the surplus over costs (£1.1m) fell by 1% compared to 2013/14. This reduction reflects the smaller size of the agency's science base and a more focussed capability. Scientific capability research has generally been maintained for government; however there is now more limited capacity to carry out non-government work

The main areas of commercial work were:

Vaccine Development and testing

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

Biological reagent sales

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

Laboratory services

APHA's extensive range of laboratory tests were used by customers in many countries as part of their ability to detect and control animal diseases or as part of their certification system for export purposes. Pharmaceutical companies worked with APHA to check for contamination in their vaccine

production system as part of quality control procedures prior to sale. This work used the agency's core skills in laboratory testing and virology while having an impact in helping to protect animal health and welfare. It also helped to keep testing volumes high and therefore reduced the unit costs of testing done for UK Governments and farmers.

Proficiency testing

During the year, the dedicated unit based at Sutton Bonnington provided 145 proficiency testing schemes to APHA laboratories, of which 100 were open for other laboratories to join. During the year, 786 non-APHA laboratories from 62 countries participated in one or more scheme. Seventeen schemes were introduced or updated including schemes for Brucella, BSE, identification of lice/mites, Chlamydia and enumeration of organisms in composting processes. This work helps to assure the quality of testing in participating laboratories, many of whom are trading partners, and ensures that the agency has access to a full range of schemes for its own use at a fraction of the commercial cost.

Wildlife work

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

Royalty income

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

Working Safely

Significant progress has been made in health, safety and wellbeing during 2014/15 and it has remained the top priority for APHA. However, the Agency has continued to suffer from a number of legacy issues which have been the root cause of a number of adverse incidents. These incidents have been subject to both internal and Health and Safety Executive (HSE) investigations which are ongoing. One major cause of concern (of biological risk and loss of containment) has been the poor performance of our facilities management provider, in respect to maintenance and keeping our facilities fit for purpose and safe. A huge effort has been made during the year to improve the performance of our facilities management provider and the agency has been

helped by Defra colleagues in its Network Corporate Services (NCS) in particular with respect to addressing a large backlog of overdue jobs which had built up over time.

There are however, reliable indicators that legacy issues are being addressed in relation to safety culture and new and smarter systems, standards and ways of working are being established and embedded. The health and safety culture continues to improve.

As part of the transition to APHA we developed and published the new agency safety policies and provided induction for all staff who we continue to support. The six themes chosen to improve the culture and performance have proven to be sound ones and have established a strong foundation to move the agency forward in the next year.

HSE inspections this year have provided mixed results with some improvements recognised, but also a Crown Prohibition Notice served by HSE on the agency in respect to the lack of validation for fumigation disinfection in one area. All failings identified by HSE and through our own internal assurance processes have, or are being addressed. This is in addition to actions identified in our internal audit which also highlighted many examples of good practice.

Better Regulation

Better Regulation is about APHA ensuring that we work with our customers and stakeholders towards a regulatory environment in which businesses have the confidence to invest and grow. APHA has the aim of reducing the regulatory burden on compliant businesses. We continue to be committed to supporting this and in 2014/15 we have:

- Updated the process for applying and producing export certification so that it is faster and more efficient; exporters now have the facility to apply electronically for Export Health Certification 24 hours per day and APHA is in a position to issue Health Certificates within 24 hours of receipt of a correctly completed application form.
- Actively participated in the Defra 'Find It Tool' pilot to improve data sharing and trial the concept of collating inspection data in one place to identify non-compliant businesses.
- Contributed to the work of the Defra Farm Steering Group by analysing current APHA practices and considering ways to improve the co-ordination of inspections across the Defra Network.
- Reviewed our approach to inspection selection and use of risk assessments, where legislation allows discretion, to better target non-compliance.
- Ensured that regulatory decisions and changes to legislative controls are made with due consideration given to the potential impact on growth and economic outcome of an industry/ business.
- Initiated a programme of field assurance to evidence the quality of service delivered.

- Started the process to simplify our guidance to meet the needs of end users in line with Defra's smarter guidance initiative.
- Operated in partnership on all aspects of the policy cycle by working with local authorities (LAs), industry bodies and private veterinary surgeons, which have a more direct relationship with many of the end users.

Equal Opportunities and Corporate Social Responsibility

Employee policies are reviewed on an annual basis.

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

APHA aims to be a diverse and inclusive agency that can attract and retain talented people from the widest range of backgrounds and offer all our employees equality of opportunity to progress and achieve their potential on merit. At March 2015 there were 69 female senior managers and 114 senior male managers, and two male Directors and four female Directors.

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

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

Our Chief Executive was appointed as Defra's Diversity Champion in 2014/15 and is committed to promoting diversity and inclusion across both the Agency and Defra.

As Diversity Champion, the Chief Executive will challenge APHA's managers to make sure APHA is an attractive employer that keeps the needs of all staff and prospective employees in sharp focus. APHA has also formed a 'Disability Focus Group', looking at issues that have been raised and agreeing practical ways to tackle them. This has included a review of facilities for disabled staff across all sites. In addition a commitment to deliver 'unconscious bias' e-learning to everyone in APHA as well as disability awareness learning to all managers, has been agreed for 2015/16.

APHA staff also have access to Defra intranet pages on diversity and inclusion which provide guidance on specific topics, information about our

staff networks, access to policies, reports and diversity monitoring data, a diversity calendar and contact details for further advice.

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

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

In APHA, an average of 5.30 days per employee was lost to sickness absence during 2014/15. In 2013/14 an average of 5.40 days per employee was lost to sickness absence.

Complaints

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

We aim to resolve complaints within 15 working days. If, however, a complainant is not satisfied with the response received locally, he or she can escalate the complaint to our Communications, Customer and Business Strategy team where it is reviewed. If a complainant remains dissatisfied, a formal internal review of the case is carried out by one of our directors. In the reporting period, 46 complaints were escalated, 2 of which progressed to the formal internal review stage.

Complaints received by APHA included TB testing, TB compensation and Pet Travel issues.

In 2014/15 we introduced a new complaints process⁵ for the business based on best practice across government, customer feedback and continuous improvement principles.

⁵ <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/complaints-procedure>

Review of Tax Arrangements of Public Sector Appointees

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

- Off-payroll engagements as at 31 March 2015, for more than £220 per day and that last for longer than 6 months:

Number of existing engagements as of 31 March 2015	9
Of Which:	
Have existed for less than one year at time of reporting	9
Have existed for between one and two years at time of reporting	0
Have existed for between two and three years at time of reporting	0
Have existed for four or more years at time of reporting	0

- Off-payroll engagements between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than 6 months:

Number of new engagements between 1 April 2014 and 31 March 2015	9
Include contractual clauses giving APHA the right to request assurance in relation to Income Tax and National Insurance	9
Number of whom assurance has been requested	9
Of which:	
Number for whom assurance has been received	9
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received or ended before assurance was received	0

- Off-payroll engagements of Board Members and/or senior officials with significant financial responsibility between 1 April 2014 and 31 March 2015:

Number of off-payroll engagement of Board Members and/or senior officials with significant financial responsibility	-
Number of posts, as at 31 March 2015, within APHA that contain, individuals that are “Board Members and/or senior officials with significant responsibility”. This number includes both off-payroll and on-payroll engagements	3 current Non-Executive Directors

As far as I am aware, as the Accounting Officer for APHA, there is no relevant audit information of which the Agency’s auditors are unaware. I have taken all steps possible to ensure that all required information has been supplied to auditors. The accounts are audited by the Comptroller and Auditor General for which the Agency incurs a notional charge this is £200k for 2014/15 (2013/14: £240k).

Chris Hadkiss
Chief Executive
2 July 2015

Financial Review

On 1 October 2014 the new Agency was formed combining Animal Health and Veterinary Laboratories Agency (AHVLA) with the plant and bee inspectorates from FERA to form the Animal and Plant Health Agency (APHA). FERA transferred assets to the new agency for no consideration giving a non-operating gain in the year of £0.7 million.

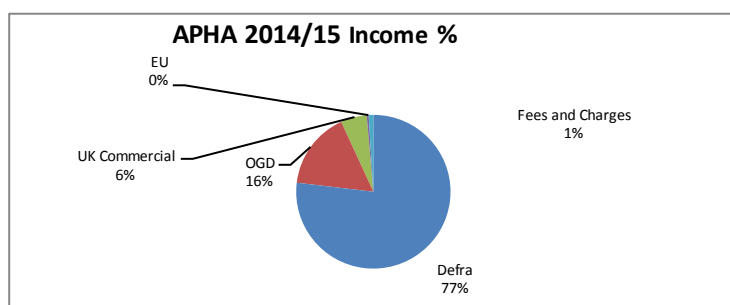
APHA is reporting net operating income of £1.5 million for 2014/15 and £77 million revaluation surplus. Total comprehensive expenditure for the year shows a gain of £66 million. The net operating expenditure of £9.1 million in 2013/14 is after property revaluation deficits and impairments of £13.7 million not covered by previous revaluation surpluses. Without these revaluations the net operating income would have been £1.4 million in 2014/15 and £4.6 million in 2013/14.

Income

The income for the Agency was £216.2 million in 2014/15 of which £11.4 related to the new Plant Health Inspectorates for the 6 months to 31 March 2015, and £204.8 million was generated by the former AHVLA organisation in the 12 months to 31 March 2015. Income reduced by £14.0 million from 2013/14 income of £218.8 million for former AHVLA activities. This was due to one off expenditure in 2013/14, including the transfer of the wildlife function from FERA (£8 million), the badger control programme (£2 million) and the voluntary early departure scheme (£2.3 million).

The following table compares the proportional sources for 2014/15 and 2013/14:

Income	2014/15 £m	2014/15 %	2013/14 £m	2013/14 %
Defra	166.2	77	165.8	76
Devolved Administrations	35.2	16	39.5	18
UK Commercial & External	11.8	6	8.8	4
EU Research	0.9	0	2.6	1
Fees and charges	2.1	1	2.1	1
TOTAL	216.2	100	218.8	100

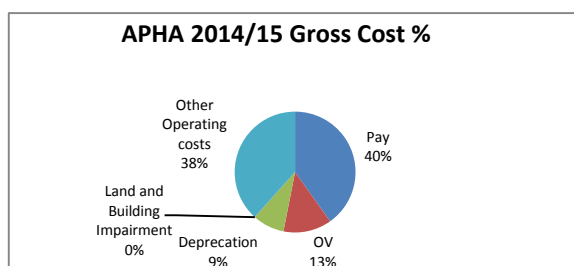


Costs

Total operating expenditure for the year of £214.7 million compares to £227.9 million for 2013/14. In 2013/14 there was a charge of £13.7million where the net value was reduced on revaluation.

The following compares the proportional categories of expenditure for 2014/15 and 2013/14:

Operating Expenditure	2014/15 £m	2014/15 %	2013/14 £m	2013/14 %
Staff Costs	86.3	40	88.9	39
OV Costs	27.8	13	26.1	11
Depreciation	18.3	8	20.9	9
Land and building impairment	(0.1)	1	13.7	6
Other Operating Costs	82.4	38	78.3	35
TOTAL	214.7	100	227.9	100



The Agency's staff costs represent 40% of the expenditure for the agency. The staff cost for 2014/15 was £86.3 million of which £3.6 million related to the new Plant and Bee Inspectorates for the 6 months to 31 March 2015. The like for like staff costs were £82.7 million compared to £88.9 million in 2013/14, a £6.3m (7.1%) decrease. The decrease reflects the reducing number of staff and a £2.3 million reduction in staff exit costs.

Official Veterinarian (OV) costs have risen to £27.8 million from £26.1million in 2013/14 reflecting the increased use of external veterinary services, due to the full year effect changes to TB policy for radial and edge testing.

Total other operating costs for 2014/15 amount to £101 million compared to £113 million for 2013/14, an increase of £12 million. This relates to a reduction in net revaluation deficits and impairments.

Depreciation

Depreciation expenditure reduced from £20.9 million to £18.3 million. This is due to transfer of 6 properties to Defra and the demolition of 3 buildings at the Weybridge site.

Capital

Capital expenditure of £6.1 million in the year on non-current assets is £6.4 million less than 2013/14. The expenditure is on investment in Information Technology (IT) systems of £4 million, and £2.1 million on property, plant and equipment.

Cashflow

Cash and cash equivalents have increased from £29.4m at 31 March 2014 to £38.5m at 31 March 2015; an increase of £9m, APHA repaid Defra £20 million for funding provided to the Agency through the General Fund.

In paying creditors, APHA aims to follow the principles of the Better Payment Practice Code in compliance with the Public Sector Payment Policy, and continues to adhere to the Government's initiative to pay 80% of undisputed invoices within five working days. For 2014/15 APHA achieved 99%.

Governance Statement

1. INTRODUCTION

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

APHA was launched on 1 October 2014. It brought together the former AHVLA with parts of the FERA responsible for plant and bee health to create a single agency responsible for animal, plant and bee health.

The existing functions of all of the above continued within the new Agency, with the AHVLA Accounting Officer continuing as APHA's Accounting Officer. The Governance processes for the Agency have remained the same throughout the year and have not changed due to the creation of the new Agency. As Accounting Officer for the new Agency, I do not need to consider in this governance statement, pre 1st October 2014 functions of FERA that transferred to APHA, as FERA are accounting for all pre-merger transactions in their accounts. Only on current assets transferred to APHA from FERA upon creation of the new Agency.

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

2. GOVERNANCE FRAMEWORK

As APHA is still in its first year of operation, the Board have yet to carry out a review of effectiveness. A review will be carried out within the first full year of operation.

2.1 Board Governance

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

- Undertake a review of Board effectiveness (as mentioned above).
- Consider introducing a Nominations and Governance Committee.

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

As an NRC Agency, a proportion of the overall GB budget previously provided by Defra has been devolved to the Scottish and Welsh Governments. The Agency is funded through an invoicing system, based on deliverables through Service Level Agreements with Defra, the Scottish Government and the Welsh Government. This will change in 2015/16 for Defra as they will use a Commissioning Model to procure services from the Agency.

The Defra Chief Operating Officer acts on behalf of the Defra Supervisory Board in all APHA ownership matters. This role is the line manager to my Chief Executive role and responsibilities include providing assurance to the Defra Supervisory Board that appropriate governance arrangements are in place within the Agency.

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

As Chief Executive and Accounting Officer, I have personal responsibility and accountability to Parliament through ministers, and also to the devolved administrations in Scotland and Wales in relation to activities within their areas. In addition, I am responsible for the delivery of APHA services and resources, in delivering these responsibilities I am supported and challenged by the APHA Board, which is chaired by a Non-Executive Director. A new Chair was appointed in October 2014.

The objective of the Board is to advise the Accounting Officer and to ensure that the Agency is organised, resourced and motivated to deliver its objectives efficiently and effectively, giving collective leadership to the Agency by:

- Providing strategic direction to the agency and ensuring that the wider, cross-cutting and longer term issues are properly considered.
- Ensuring that the agency has sufficient resources and staff with the skills, knowledge, motivation and support to deliver its objectives.
- Ensuring appropriate standards of corporate governance are in place and are observed.
- Listening to, and tackling, the concerns of staff and promoting good management.
- Communicating with staff and representing the agency's collective interests to the outside world.

The APHA Board ensures that the agency meets its key performance indicators. Section 3 of the Annual report provides further information on key performance indicators. The Agency has not received any ministerial directions during this year. The Board focuses on risk and assuring itself that the processes for governance and management control are working across the agency. The Board met in April, July, October 2014 and February 2015.

The APHA Board considers the plans, performance and strategic direction of the Agency, the most important risks to successful delivery of those plans and the Agency's stewardship of public assets. The availability of high quality information is vital to maintaining accountability. The Board receives regular information on finance and performance. Papers produced for the Board are owned by a presenting Director and this role includes ensuring information and data contained are robust and fit for purpose. The quality of this data is scrutinised and monitored by the Board, with major variances requiring detailed explanations. The Board also receives assurance on quality of information from Internal and External audit reviews.

Attendance at the each of the APHA Board can be found on GOV.UK⁶

Internal Audit have reviewed the Corporate Governance processes within the Agency to ensure compliance with the Code and have provided moderate assurance, with some recommendations for improvement, which the Agency is in the process of implementing. See section 3.5 below for further detail on work of Internal Audit.

2.2 Board Committees

The APHA Board receives reports from all committees as considered appropriate and necessary. The Committees are:

- The APHA Audit and Risk Committee
- The APHA Finance and Performance Committee
- The APHA Executive Committee
- The APHA Science Advisory Board
- The APHA Strategic Health and Safety Committee

In my view this governance structure provides an appropriate governance culture and a sound system of internal control to meet the objectives of the Agency, although I appreciate improvements can be made based on recommendations made by internal audit - see section 3.5 – Independent Audit for further detail.

Attendance at the each of the Committees can be found on GOV.UK⁶

⁶ <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/our-governance>

2.3 Audit and Risk Committee

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

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

2.3 Finance and Performance Committee

The Finance and Performance Committee as a Sub Committee to the Board, was established by the Chief Executive as Accounting Officer and the APHA Board to support them in their responsibilities for dealing with the oversight of financial management and operational performance and related reporting to the APHA Board and Defra.

2.4 Executive Committee

The Executive Committee is responsible for setting and reviewing the operational direction of the Agency. It focuses on delivery and assuring itself that delivery requirements and required performance is being met across the Agency. It considers operational matters and will escalate strategic matters to the Board.

2.5 Science Advisory Board

The APHA Science Advisory Board provides independent and objective advice on the quality and relevance of the Agency's science strategy and operations. It is a formally constituted Board operating in an advisory capacity to the APHA Management Board, without executive powers.

2.6 Strategic Health and Safety Committee

The Strategic Health and Safety Committee identify and oversee the implementation of the health and safety strategy so as to ensure we continually seek to raise standards and improve the health and safety culture. The Committee can resolve and decide on matters within its remit and escalate unresolved issues and matters to the Executive Committee and the Board.

3. INTERNAL CONTROL FRAMEWORK

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

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

3.1 Information Security

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

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

These activities form the core programme of work undertaken to maintain good information security management within the Agency.

The Agency has experienced a data breach which was reported to the Agency's IT Security as an incident in April 2014. This involved the loss of an unencrypted external hard drive containing customer records. This was escalated to Defra in line with governance and escalation procedures. This incident required notification to the Information Commissioners Office (ICO), and was fully investigated by Defra Security. The ICO did not penalise the Agency for the breach, as the data did not constitute sensitive personal data. The ICO made the following recommendations:

- Review whether personal data held has been kept for longer than is necessary. A project exists to undertake this review
- Reconsider use of unencrypted USB sticks. Purchase of such sticks is rigorously controlled and requires a business case before purchase will be authorised.

3.2 Financial Management and Control

Financial management and control continues to be reviewed by the APHA Board and the Finance and Performance Committee through regular financial reports. The Internal Control and Quality Assurance (ICQA) self-certification have been completed by the budget holders (three times this year). A three year validation programme started in 2013/14, which will see responses to the

ICQA questions being validated. The findings are reported to the Executive and Audit and Risk Committees.

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

3.3 Performance Management

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

3.4 Quality Management and the Quality Assurance Framework

The Agency has retained the following certifications:

- ISO9001 certification across the science areas of the business.
- ISO 17025 standard, accreditation of laboratory testing and associated veterinary opinions and interpretation has been extended until 2017.

APHA has also maintained accreditation against Good Laboratory Practice and other Good Practice standards.

A number of other projects have been taken forward as part of implementing APHA's Quality Assurance framework:

- Field Quality Assurance
- Contract Quality Assurance

3.5 Independent Audit

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

Internal Audit

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

Based upon the evidence from these audits, KPMG have provided an overall 'Moderate' opinion for APHA's arrangements for governance, risk

management and control and indicated that, some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Five reviews have been assessed as having limited assurance, Management Information, Data Quality, Business Continuity, Animal Services Unit - Fixed Assets and Health and Safety. There are agreed action plans to implement recommendations from these five reviews.

KPMG have recommended that management information needs to be consistently produced for each Directorate and should include financial and non-financial information. The report recognised that shortage of staff in finance and information being derived from multiple sources are a hindrance to making improvements to this area.

The report on Data Quality (DQ) found that processes for managing DQ are informal, and there is a need to approach DQ as a regime of controls that need to be put in place to form a framework through which improvements can be made.

The Business Continuity report concluded that there is a lack of a sufficiently developed central business continuity (BC) control function, leading to variable levels of BC maturity throughout the different directorates.

The Animal Services Unit – Fixed Assets report noted a number of discrepancies with the fixed asset register, a risk that contaminated metal is not fully controlled, health and safety risks around the physical existence of disused assets and VAT implications on transactions.

The report on Health and Safety recognises that the Agency is implementing a number of initiatives but all of these are in their infancy. The report recognises the issues facing the Agency as reported in section 4.3 under Health and Safety and Facilities Management.

The Agency has to action a number of outstanding internal audit recommendations. Internal audit reviewed implementation of their recommendations in March 2015 and concluded that overall good progress has been made in implementing their recommendations. At time of this review there were 10 recommendations which had not yet reached their due date, of which 2 recommendations had high priority and are closely monitored to ensure action is taken. 11 recommendations had passed their due date and Internal Audit agreed revised action plans for the implementation of these 6 medium and 5 low priority recommendations. Progress on all outstanding recommendations is reviewed at the Audit and Risk Committee to ensure appropriate action is taken.

External Audit

The National Audit Office audits, on behalf of the Comptroller and Auditor General, APHA's statutory accounts and provides independent challenge to the Agency in governance, finance and effectiveness. A number of recommendations for improvement were made during 2013-14, which have been followed up during this year. It was recognised that staff capacity within the finance team was a key factor contributing to these weaknesses. NAO have noted that action is being taken on all relevant recommendations, although not all are fully implemented. The key recommendations made are:

- Production of management accounts - variances to be clearly explained.
- Accounts produced to be fully complete, with supporting working papers
- Controls over journals, especially to ensure segregation of duties and evidence to support these transactions
- Reconciliation of total income received from Defra and OGD
- Inventory accounting
- Estimates of dilapidations on leased building
- Review staffing levels

4. ASSESSMENT OF RISKS AND ISSUES

4.1 Risk Profile

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

However, as with any organisation, APHA also faces specific risks to its ability to operate efficiently and to deliver its objectives. The agency has a risk management policy and a hierarchical identification and management process, which has recently changed from a commercial package to a spreadsheet based approach. The new approach is being embedded. Risk registers are maintained at appropriate levels within the organisation, including H&S and the Information Security Forum that feed into the overall risk view for the agency. Major risks are collated into the Corporate Risk Register, which is regularly reviewed by relevant Committees of the Board.

I have a small Corporate Governance team who facilitate the flow of identified risks within the agency hierarchy and highlight the emerging and aggregated risks that are identified at lower levels. Across the agency we are now focusing more upon a 'cause and effect' recognition when identifying risks and from a corporate level we are considering the effect of the most challenging risks from budgetary, efficiency, reputational and compliance perspectives.

The Chief Executive Officer ensures that Defra are regularly updated at the monthly meetings on the key risks facing the Agency. This revised approach will continue to develop further within 2015/16.

4.2 Risk Effectiveness

The approach to managing risks within APHA continues to mature, there is greater understanding of the risks associated with the environment in which APHA operates. Public awareness of animal related events and projects during the year have highlighted the continued need for APHA to consider risks associated with both reputational damage and security as result of the work that it undertakes. I will ensure that this focus continues as I now consider that I have a basis for assessing APHA's risk appetite, for managing the risks and understanding the residual risks that the organisation faces.

In my view the most significant risks in the corporate risk register are:

- *Affordability of the ask of the Agency within the funding available to the Agency* – whilst APHA continue to work closely with Defra and Devolved Administrations, and have moved to a Commissioning Model for work delivered for Defra, the Agency still needs to review the way its funding model operates and provide more detailed breakdown of how much a disease outbreak costs; and ensure all Administrations are involved in these discussions
- *Introduction of SSCL* – this is a shared operating platform being introduced across the Civil Service for the provision of financial information. APHA does have senior management representation on the project board. However, there are concerns that the project will not meet the Agency's requirements and there is also a risk that the Agency will not be able to implement the system within the required timescales. We continue to work closely with Defra and are awaiting a more detailed plan of actions for the Agency in relation to this project.
- *Failure of IT systems to keep up with the business needs through lack of Capital Funding and also APHA needs to invest in Scientific IT to transfer certain systems from Public Health England* – We work closely with Defra to find solutions to these issues and have created workarounds but with many aging systems there is a need to ensure systems remain fit for purpose and supportable. Impact assessments will be carried out on all legacy systems to assess the level of funding required. A commitment has been made to further develop in house talent along with the investigation of other options for delivery of IT and IT solutions through partnerships with Universities and outside external organisations when possible.
- *Failure or an inability to maintain scientific equipment through lack of Capital Funding* – A list of priority equipment to be replaced has been drawn up and the Agency is working with partners in academia to access some high value equipment. The Agency Finance team are exploring if the Capital Limit (which is currently £2k including VAT) could be raised.

The Agency is planning to review its laboratory footprint and consolidate as appropriate.

- *Significant safety incident or breach of Health and Safety or Specified Animal Pathogens Order (SAPO) Legislation* – The Agency has safety standards in place and has brought in expert assurance. A site plan is in place and Defra and APHA are working with the facilities management for all APHA sites to better manage how repairs and site management is carried out. Human Factors training is also due to be rolled out and staff assessed.

4.3 Significant Issues for APHA during 2014/15

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

Health and Safety

Health and Safety was strengthened during 2013/14, with additional resource being provided to focus on improving the health and safety culture throughout the organisation. The Safety Health and Wellbeing Team have been strengthened further during 2014/15 with the addition of 4 Biorisk Advisors joining the team. The Agency has been working towards achieving its vision of being a high performing health and safety organisation.

During 2014/15 the Agency was subject to a Crown Prohibition Notice by the Health and Safety Executive (HSE) as a consequence of having no validated certification for the decontamination of one laboratory. While not a risk to staff or the public it resulted in the closure of the laboratory for several weeks where samples were being analysed and caused delay in results for farmers in relation to bovine TB. This in turn delayed the Agency being able to inform farmers whether the movement of their cattle was restricted or not. Actions have been taken so this cannot happen again:

- The root cause and contributory factors for the failure have been identified and addressed;
- A new Head of Department has been appointed;
- All areas which require space fumigation have been checked to ensure it has been validated;
- Integrated health and safety management software has been purchased to manage actions and to ensure effective escalation and completion; and
- The importance of health and safety (over targets and workload) has and continues to be re-iterated.

HSE have recognised the progress that has been made during the year and we are categorised by them as 'broadly compliant' or 'compliant' in the areas subject to inspection. However, the Agency has reported 3 incidents to the HSE which highlighted pockets of ongoing cultural issues relating to human factors – errors and violations. Lessons learnt have been issued in relation to

these incidents. These issues are subject to ongoing investigation and may result in some form of enforcement action.

As part of our strategy to improve all aspects of health and safety we have delivered enhanced training to our staff including: safety leadership for CEO, Directors and Non-Executive Directors; laboratory managers; laboratory staff; managers; health and safety leadership for all senior managers; and other specific training in specific risk areas.

The incidents, inspections, audits and reports from our staff have identified severe failings in the performance of our facilities management provider in maintaining our containment facilities in a 'fit for purpose' state and in good working order. In September it was recognised that there was a backlog of over 1,000 jobs and over 300 in our high containment facilities at Weybridge. Defra's Network Corporate Services (NCS) were charged with assisting with a recovery plan and to work with facilities management on their remediation plan. While performance has improved a little the performance of the provider is poor and provides an ongoing risk to the Agency.

There is still much to do within the Agency in terms of consistency, achieving good and best practice, rooting out complacency and achieving high standards of performance. The direction of the Agency is good and there are a number of indicators which support our progress this year. For example the reporting of no injury incidents (near misses) has improved. However, the performance of our facilities management provider remains the single greatest risk and challenge to the Agency.

Facilities Management

In previous years I have drawn attention to concerns about the quality of service provided by the facilities management provider. The impact of poor service has been felt most in the APHA's Scientific and Laboratory estates. While work is still required to ensure an acceptable standard of service is delivered, improvements have been made over the course of the year. Adoption of recommendations arising from Internal Audit and NAO investigations into management of the provider will assist with further strengthening of this function.

In addition to service quality, previous attempts to audit the cost of the service have identified serious contract management issues but have not been able to arrive at a conclusion on the costs themselves. The successful completion of an audit of the costs statement for year 3 of the contract has identified that overpayments have been made against the target price set for the first three years of the contract, as was expected. A financial settlement of £4.4m has been refunded to Defra, who has credited this back to the network bodies, in proportion to the charges levied.

Veterinary Delivery Partnership

The Veterinary Delivery Partnership Programme has brought in a series of changes during 2014/15. The Senior Responsible Officer for the project is the Deputy Director of Defra's Commercial Project and Strategy Division.

- Suppliers known as 'Veterinary Delivery Partners' have been selected to deliver Managed Veterinary Services in England and Wales. Each Delivery Partner will take forward the work in one of the seven geographical lots. The work, which is to be commissioned by APHA, covers i) TB Testing, ii) other government paid veterinary services and iii) the provision of veterinary resource in an incident.
 - The Full Business Case was cleared by HMT on 19 December 2014, who commended it as a good case.
 - Welsh Delivery Partners signed contracts 26 January 2015 with the remaining five contracts in England signed 12 February 2015.
 - APHA has confirmed the planned service commencement dates of 1 April 2015 in Wales and 1 May 2015 in England.
 - There will be a period of gradual transition from the current to new arrangements through April to August 2015.
 - The Programme is on track to complete delivery to agreed time, cost and scope.
- The September 2015 contractual agreement for the training and authorisation of OV's is firmly established, with the supplier Improve International providing online modular OV training. OV's are required to sign-up to Improve International in order to gain the modular accreditation. APHA subsequently authorise vets with modular accreditation as OV's. Each modular accreditation has an expiry point, requiring the OV's to carry out periodic revalidation training.
- Running in parallel providers have also been appointed to a Framework Agreement for the provision of other Veterinary Related Services. The framework became operational January 2015.

The Board and I have continued to escalate our concerns to Defra via our monthly meetings.

5. Operation of a Business Critical Model

APHA operates a business critical model for Defra. The Macpherson review requires that details of such models are included in the governance statements. Therefore I provide details of the model and quality assurance processes below.

Description of model

Exodis-FMD is a mathematical model for Foot and Mouth Disease (FMD) which was built specifically for Defra by Risk Solutions Ltd. It predicts the shape and size of an FMD outbreak in GB in both time and space and can help to evaluate a range of control strategies. The outputs can be fed into Defra's Economic Consequences Model (ECM) and allow the extent of the outbreak and the costs associated with different outbreak scenarios to be calculated and compared. It explicitly models the current Defra contingency plan. Defra does not own IP for this model and a maintenance contract in place with Risk Solutions and managed by APHA Epidemiology and Risk team to ensure the model remains fit-for-purpose. APHA staff in the Biomathematics and Risk research team, have been extensively trained in its use.

Business critical

The model forms a critical part of Defra and APHA's preparation for and response to an outbreak of FMD. It is used to help appraise different strategies prior to as well as in the event of an emerging outbreak and to generate simulated outbreaks for use in training and readiness exercises.

Summary of Quality Assurance

The model was developed specifically for and with Defra and its agencies. It encapsulates a significant amount of Defra and APHA expertise in its overall design and underlying modelling approach. It was extensively peer reviewed throughout its development by both leading academics and by industry and Defra experts. Full documentation listing model assumptions and limitations is available with regular briefing sessions on model provided to Defra, SG & WG Policy colleagues. The model is updated on an annual basis via the maintenance contract ensuring that the model is informed with up-to-date data including livestock demographic and APHA resource data. Comparison with equivalent international models is undertaken and work published externally.

6. Conclusion

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

Chris Hadkiss
Chief Executive
2 July 2015

Remuneration Report

Our Leadership

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

The Board

Alexis Cleveland	Non-Executive Chair (from 1 October 2014)
David Hughes	Independent Non-Executive Director
Quintin McKellar	Independent Non-Executive Director
Nicola Spence	Chief Plant Health Officer, Non-Aligned Director (from 1 October 2014)
Nigel Gibbens	Chief Veterinary Officer, Non-Aligned Director (from 1 October 2014)
Chris Hadkiss	Chief Executive
Simon Hall	Veterinary Director
Helen Crews	Plant Health Director (from 1 December 2014)
Kirsty Shaw	Director of Service Delivery (from 2 June 2014)
Kath Webster	Director of Scientific Services (from 14 April 2014)
Glyn Hewinson	Director of Scientific Services (1 April 2014 to 14 April 2014)
Claire Evans	Director of Corporate Service
Joan Skerry	Director of People & Business Development (1 April 2014 to 31 Jan 2015)
Tony Foster	Non-Executive Chair (1 April 2014 to 30 September 2014)
Sarah Hendry	Non-Aligned Director (1 April 2014 to 30 September 2014)
Anne Tutt	Independent Non-Executive Member of Audit & Risk Committee (from 1 November 2014)

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

The Executive

Chris Hadkiss	Chief Executive
Simon Hall	Veterinary Director
Helen Crews	Plant Health Director (from 1 December 2014)
Kirsty Shaw	Director of Service Delivery (from 2 June 2014)
Kath Webster	Director of Scientific Services (from 14 April 2014)
Claire Evans	Director of Corporate Service
Joan Skerry	Director of People & Business Development (1 April 2014 to 31 Jan 2015)
Glyn Hewinson	Chief Scientist (1 April 2014 to 14 April 2014)

Remuneration Policy

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

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

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

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

Service Contracts

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

With the exception of the Non-executive Directors the APHA Board members at 31 March 2015 hold open-ended appointments until they reach normal retirement age. The employment of the Chief Executive and of the other

APHA Board members may be terminated in accordance with normal Civil Service procedures. Early termination, other than for misconduct, would result in compensation being payable as set out in the Civil Service Compensation Scheme. The Non-executive Directors are engaged on three year fixed term contracts which may be subject to early termination by either party.

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

Joan Skerry retired on 31 January 2015 and the Plant Health Director was added to the Board when APHA was formed on 1 October 2014, Helen Crews was appointed the new Plant Health Director on a phased start from 1 December 2014, being full time in post from 1 February 2015.

Remuneration of Non-executive Directors (Audited)

Name	Date of appointment	Period of appointment	Remuneration 2014/15 (£'000)	Remuneration 2013/14 (£'000)
Alexis Cleveland	1 October 2014	9 months	0-5	N/A
David Hughes	1 October 2014	22 months	15-20	5-10
Quintin McKellar	1 October 2014	22 months	0-5	0-5
Tony Foster	Appointment ended 30 September 2014	-	5-10	10-15
Anne Tutt	1 November 2014	3 years	0 - 5	N/A

The appointment date shown for Alexis Cleveland, David Hughes and Quintin McKellar is the date of reappointment as non-executive directors for APHA, this was the continuation of their role as non-executive directors for AHVLA. Remuneration shown is for the whole of 2014/15.

Remuneration and Pension Entitlements (Audited)

The emoluments and pension entitlements of the APHA Board members in 2014/15 were as follows (2013/14 in italics):

	Salary Banding	Benefits in kind	Pensions benefits⁷	Total
	£'000	Nearest £100	£'000	£'000
Chris Hadkiss	130-135 <i>(130-135)</i>	0 <i>(0)</i>	33 <i>(49)</i>	165-170 <i>(180-185)</i>
Simon Hall	75-80 <i>(75-80)</i>	0 <i>(0)</i>	13 <i>(8)</i>	90-95 <i>(80-85)</i>
Helen Crews ⁸ from 1 December 2014	10-15 (FTE 70-75) <i>N/A</i>	0 <i>N/A</i>	36 <i>N/A</i>	50-55 (FTE 130-135) <i>N/A</i>
Kirsty Shaw from 2 June 2014	70-75 (FTE 85-90) <i>N/A</i>	1,000 (FTE £1,200) <i>N/A</i>	128 <i>N/A</i>	200-205 (FTE 215-220) <i>N/A</i>
Kath Webster from 14 April 2014	75-80 <i>N/A</i>	0 <i>N/A</i>	11 <i>N/A</i>	90-95 <i>N/A</i>
Claire Evans	100-105 <i>(110-115)</i>	0 <i>(0)</i>	38 <i>(31)</i>	140-145 <i>(140-145)</i>
Directors on the APHA Board during 2014-15				
Joan Skerry to 3 February 2015	70-75 (FTE 80-85) <i>(80-85)</i>	0 <i>(0)</i>	113 <i>(21)</i>	185-190 (FTE 190-195) <i>(100-105)</i>
Glyn Hewinson Chief Scientist to 14 April 2014	0-5 (FTE 65-70) <i>(65-70)</i>	0 <i>(0)</i>	0⁹ <i>(7)</i>	0 (FTE 65-70) <i>(75-80)</i>
Directors on the APHA Board during 2013-14				
Nina Purcell Chief Operating Officer to 2 February 2014	0 <i>(55-60)</i> FTE 65-70)	0 <i>(0)</i>	0 <i>(-19)</i>	0 <i>(35-40)</i> FTE 50-55)

Emoluments include gross salary, bonuses and other allowances to the extent that they are subject to United Kingdom taxation. Remuneration and pension figures shown are for the whole of 2014/15 for AHVLA as well as APHA.

⁷ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase increases exclude increases due to inflation or any increase or decrease due to transfer of pension rights.

⁸ Helen Crews joined APHA on a phased start from 1 December 2014 by special arrangement with FERA, with a permanent start from 1 February 2015.

⁹ The pension benefits figure for Glyn Hewinson has been estimated, based on the last two years the benefit for two weeks would be significantly less than £500, and would round to £nil.

Salary

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

Benefits in kind

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

Pay Multiples

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

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

The banded remuneration of the highest paid director in 2014/15 was £130,000 to £135,000 (2013/14: Full time equivalent £130,000 to £135,000). This was 5.1 times (2013/14: 5.0 times) the median remuneration of the workforce, which was £26,040 (2013/14: £26,063).

Remuneration of staff in 2014/15 was in the range £16,450 to £131,040 (2013/14: £15,501 to £131,040). In 2014/15, no members of the workforce received full time equivalent remuneration in excess of the highest paid director in 2014/15 (2013/14: None).

Pension Benefits (Audited)

	Accrued pension at pension age as at 31 March 2015	Accrued Lump Sum at pension age as at 31 March 2015	Real increase in pension and related lump sum at pension age	CETV at 31 March 2015	CETV at 31 March 2014	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Directors on the APHA Board as at 31 March 2015							
Chris Hadkiss	70-75	0-5	0-2.5	969	901	18	0
Simon Hall	20-25	70-75	2.5-5.0	470	436	10	0
Helen Crews	25-30	85-90	5.0-7.5	646	609	34	0
Kirsty Shaw	15-20	45-50	22.5-25	227	140	77	0
Kath Webster	30-35	0-5	0-2.5	478	447	7	0
Claire Evans	0-5	0-5	0-2.5	56	24	22	0
Directors on the APHA Board during 2014/15							
Joan Skerry	30-35	100-105	20-22.5	759	638	113	0

Glyn Hewinson ceased to be a director on 14 April 2015, as this is only for two weeks of 2014/15 and pension benefits for the period would be minimal, they have been excluded from the table above.

CETV at the 31 March 2014 have been restated where APHA has been advised of a corrected figure. The figure for Chris Hadkiss was £910k in the 2013/14 annual report.

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

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

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

Chris Hadkiss
Chief Executive Officer
2 July 2015

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

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

I certify that I have audited the financial statements of Animal and Plant Health Agency for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statement of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Animal and Plant Health Agency's affairs as at 31 March 2015 and of the net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Strategic Report and Director's 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
14 July 2015

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

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

ADMINISTRATION COSTS	Note	2014/15 £'000	2013/14 £'000
Staff Costs	4	86,283	88,910
Other Administrative Costs			
Official Veterinarian Costs	5	27,841	26,068
Other Operating Costs	5	100,580	112,890
		214,704	227,868
Operating Income	6	(216,229)	(218,816)
		(216,229)	(218,816)
Net Operating Expenditure/(Income)		(1,525)	9,052
Non-operating gain from Transfer of Function	2	(652)	(911)
Non-operating loss on transfer of assets	2	13,884	-
Total Comprehensive Net Expenditure/(Income)		11,707	8,141
OTHER COMPREHENSIVE EXPENDITURE	Note	2014/15 £'000	2013/14 £'000
Net loss/(gain) on revaluation of Property, Plant and Equipment	16	(76,932)	3,508
Net loss/(gain) on revaluation of Intangible Assets	16	(374)	3,991
Total Comprehensive Expenditure/(Income)		(65,599)	15,640

All income and expenditure is derived from continuing operations.

The notes on pages 65 - 88 form part of these financial statements.

Statement of Financial Position as at 31 March 2015

	Note	2014/15 £'000	2013/14 £'000
Non-Current Assets			
Property, Plant and Equipment	7	257,151	199,456
Intangible Assets	8	44,673	50,662
Total Non-Current Assets		301,824	250,118
Current Assets			
Inventories	10	3,999	5,774
Trade and Other Receivables	11	43,431	24,895
Other Current Assets	11	10,741	31,391
Cash and Cash Equivalents	12	38,508	29,431
Total Current Assets		96,679	91,491
Total Assets		398,503	341,609
Current Liabilities			
Trade and Other Payables	13	(7,446)	(4,078)
Other Liabilities	13	(48,652)	(52,045)
Provisions	15	(3,127)	(2,745)
Total Current Liabilities		(59,225)	(58,868)
Total Assets less Net Current Liabilities		339,278	282,741
Non-Current Liabilities			
Lease Obligation	14	(1,472)	(1,441)
Provisions	15	(1,347)	(25)
Total Non-Current Liabilities		(2,819)	(1,466)
Total Assets less Liabilities		336,459	281,275
Taxpayers' Equity			
General Fund		230,765	236,163
Revaluation Reserve	16	105,694	45,112
Total Taxpayers' Equity		336,459	281,275

The notes on pages 65 - 88 form part of these financial statements.

Chris Hadkiss
Chief Executive
2 July 2015

Statement of Cash Flows for the year ended 31 March 2015

	2014/15 £'000	2013/14 £'000
Cash flows from operating activities		
Net Operating Expenditure	1,525	(9,052)
Adjustments for non-cash transactions	18,484	35,070
Loss on disposal of non current assets	526	384
Decrease/(Increase) in Trade and Other Receivables	2,114	(6,047)
Decrease/(Increase) in Inventories	1,775	(1,307)
Increase/ (Decrease) in Trade Payables	(25)	955
IFRIC 12 IBM asset movement	(147)	465
Use of Provisions	1,704	1,088
Net Operating Costs excluding Notional and Non-Cash Costs	25,956	21,556
Non-Cash Adjustment	(834)	26
Net cash inflow from operating activities	25,122	21,582
Cash Flows from investing activities		
Purchase of property, plant and equipment	(2,159)	(7,310)
Purchase of intangible assets	(3,970)	(5,234)
Proceeds/(Loss) from the disposal of non-current assets	53	426
Net cash outflow from investing activities	(6,076)	(12,118)
Cash flows from financing activities		
Net cash requirement received from/(paid to) Defra	(10,000)	10,000
Increase/(Decrease) in non-current lease obligations	31	(324)
Net Financing	(9,969)	9,676
Change in Cash and Cash Equivalents		
At 1 April	29,431	10,291
Increase in cash	9,077	19,140
At 31 March	38,508	29,431

The notes on pages 65 - 88 form part of these financial statements.

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		233,454	52,966	286,420
Transfer between reserves	16	356	(356)	0
Non-Cash Charges – notional charges	5	469	0	469
Non-Cash Adjustments		26	0	26
Total Comprehensive Net Expenditure for the Year		(8,141)	0	(8,141)
Net Gain/(Loss) on Revaluation of Assets		0	(7,499)	(7,499)
Net Parliamentary Funding		10,000	0	10,000
Balance at 31 March 2014		236,163	45,112	281,275
Transfer between reserves	16	16,724	(16,724)	0
Non-Cash Charges – notional	5	323	0	323
Non-Cash Adjustments		(738)	0	(738)
Total Comprehensive Net Expenditure for the Year		(11,707)	0	(11,707)
Net Gain/(Loss) on Revaluation of Assets		0	77,306	77,306
Parliamentary Funding Received		10,000	0	10,000
Parliamentary Funding Repaid		(20,000)	0	(20,000)
Balance at 31 March 2015		230,765	105,694	336,459

The notes on pages 65 - 88 form part of these financial statements.

NOTES TO THE ACCOUNTS

1 Statement of accounting policies

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

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

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

Administration and Programme Expenditure

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

Significant Judgements and Estimation Uncertainty

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

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

a. Key Judgement:

Depreciation and Amortisation

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

b. Key Estimates

Indexation Rates

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

Accrued Official Veterinarian Costs

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

Project Accruals and Deferred Income

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

Valuation of Land and Buildings

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

1.1 Accounting Convention

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

1.2 Income Recognition

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

1.3 Funding Recognition

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

1.4 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

1.5 Intangible Non-Current Assets

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

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

1.6 Research and Development

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

1.7 Service Concession Arrangements (IFRIC 12)

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

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

1.8 Depreciation and Amortisation

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

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

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

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

Assets from former FERA Inspectorates were included on the APHA asset register from 1 October 2014, depreciation was charged for the period October 2014 to March 2015.

1.9 Impairment

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

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

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

1.10 Inventories

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

1.11 Value Added Tax (VAT)

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

1.12 Cash and Cash Equivalents

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

1.13 Hard Charges and Notional Charges

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

1.14 Employee Benefits

a. Pensions

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

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

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

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

There will be a new Civil Service Pension Scheme, alpha, with effect from April 2015. Details of the new scheme will be included in APHA's 2015/16 annual report.

b. Other Employee Benefits

APHA recognises a liability and expense for all employee benefits, including unused annual leave accrued at 31 March 2015.

c. Early Departure Costs

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

1.15 Financial Instruments

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

1.16 Provisions, Contingent Liabilities and Assets

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

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

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

1.17 Leases

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

The determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. APHA evaluates contractual arrangements in accordance with the above criteria as laid down in IAS 17.

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

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

1.18 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into sterling using the rate of exchange at 31 March 2015, or where appropriate, the rate of exchange fixed under the terms of the relevant transaction. Transactions in foreign currencies are translated into sterling using the rate at the date of the transaction. Differences on translation are written off to the SoCNE.

1.19 Impending Application of Newly Issued Accounting Standards Not Yet Effective

There is a new accounting standard IFRS 13 that is not yet effective for the year ended 31 March 2015, and has not been applied in preparing these financial statements. This standard will not have a material impact on the financial statements of APHA.

- IFRS 13: Fair Value Measurement. The standard should be adopted from 1 April 2015 it provides guidance on establishing fair values for assets and liabilities, and sets out disclosure requirements. Fair value is defined as an exit value, reflecting the highest and best use rather than the actual use of an asset. H M Treasury has issued proposals to adapt the standard: Assets held for the provision of services to be valued on an existing use basis, surplus assets would be valued in accordance with the standard.

2 Non-Operating Gain from Transfer of Functions and non-operating Loss from transfer of assets

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

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

3 Operating Segments

a. Income and Expenditure

2014/15	Income £'000	Expenditure £'000	Surplus/(Deficit) £'000
Field Operations	85,630	85,630	0
Science	25,829	25,829	0
Veterinary	2,753	2,753	0
Plant Health & Seeds	9,442	9,442	0
Outbreak	2,393	2,393	0
Corporate Centre, Hard Charges, Depreciation and Amortisation	90,182	88,755	1,427
	216,229	214,802	1,427
Revaluation deficits/((surpluses) not covered by previous revaluation surpluses and increases in provisions	0	(98)	98
TOTALS	216,229	214,704	1,525

The table summarises the Management Accounts prepared by APHA during the course of 2014/15 and is split in terms of operations. The surplus, before allowing for the revaluation, was generated largely because of a credit note from the main facilities management supplier for Defra and the Network. As part of the contract, regular audits 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 FY11/12, Year 3 of the contract. The work undertaken to resolve this has resulted in a credit note being received late in 2014-15 for years 1 to 3 of the contract, the proportion credited to APHA was £1.3m and this amount is reflected in this year's accounts surplus.

b. Gross Assets

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

c. Interest

The Agency had no interest revenue or expense.

d. Liabilities

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

4 Staff Numbers and Related Costs

	2014/15 £'000	2013/14 £'000
Salaries	66,184	65,666
Employer's National Insurance Contributions	5,034	5,107
Employer's Pension Contributions	12,186	12,152
	83,404	82,925
Contractor Costs	3,016	2,899
Staff Exit Costs	0	2,309
Increase/(Decrease) in Staff Leave Accrual	(137)	777
	86,283	88,910

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

In addition to the costs shown above, Contractor Costs of £1,771k (2013/14: £1,137k) have been capitalised. These are included within the additions to IT Software and Assets in the Course of Construction shown in Note 8 – Intangible Assets.

Under IAS 19 Employee Benefits an accrual has been established for staff leave due, but not taken at 31 March 2015, this employee benefit payable in 2015/16.

a. Pension Contributions

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

In 2014/15, employer's contributions of £11,969k were payable to the PCSPS (2013/14: £11,926k) at one of four rates in the range 16.7% to 24.3% of pensionable pay based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2015/16 and will change to a range of 20% to 24.5%. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. A new pension scheme, alpha will be introduced from 1 April 2015.

Employees can opt to open a partnership pension or a stakeholder pension with an employer contribution. Employer's contributions of £207k (2013/14: £198k) were paid to appointed stakeholder pension providers. Employer contributions are age related and range from 3.0% to 12.5% of pensionable

pay. APHA also matches employee contributions up to 12.5% of pensionable pay. In addition, employer contributions of £Nil (2013/14: £12k) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirements of employees. Contributions due to the partnership pension providers at the 31 March 2015 were £10k (2013/14: £16k).

Three members of staff (2013/14: Two) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £Nil (2013/14: £Nil).

e. Average Number of Full Time Equivalent Staff

	2014/15 FTE	2013/14 FTE
Science Staff	490	534
Veterinary Staff	316	320
Technical Staff	276	279
Administrative and Managerial Staff	919	926
Former FERA Inspectorates	97	0
	2,098	2,059
Permanent	2,010	2,028
Fixed Term Contracts	64	24
Casual and Temporary	24	7
	2,098	2,059

The remuneration and emoluments of the APHA Board are set out in the Remuneration Report starting on page 49 of this annual report.

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

During the year 2013/14: 46 employees left APHA under early release schemes with a further 24 agreeing to do so by 31 March 2015. The details are as shown in the table below the full cost of £2,309k was included in the 2013/14 accounts.

Exit Package Cost Band	Total number of exit packages by cost band 2014/15	Total number of exit packages by cost band 2013/14
<£10,000	0	6
£10,000 - £25,000	0	27
£25,000 - £50,000	0	27
£50,000 - £100,000	0	8
£100,000 - £150,000	0	2
£150,000 - £200,000	0	0
Total	0	70
Total resource cost (£'000)	0	2,309

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

There were no compulsory redundancies during 2014/15 (2013/14: one), and that is included within the above table.

5 Other Administrative Costs

	2014/15 £'000	2013/14 £'000
Official Veterinarian Costs	27,841	26,068
Operating Costs		
Veterinary and Laboratory consumables	8,380	6,366
Office Services	13,304	12,246
IT Costs	4,118	5,421
Travel and Subsistence	4,874	4,867
Accommodation and Utilities	2,201	2,612
Training	1,037	658
Recruitment	403	446
Loss on Disposal of Non-Current Assets	526	384
Disease Eradication Costs	9	0
	34,852	33,000
Hard Charges		
Estates Management and Accommodation Services	28,163	27,383
IT Services	14,721	13,434
Accounting and HR Services	3,820	3,562
Procurement and Contract Services	238	209
Internal Audit	116	82
Legal Services	186	150
	47,244	44,820
Notional Charges		
Defra Investigations Service	123	229
External Audit	200	240
	323	469
Non Cash Costs		
Depreciation and Amortisation	18,259	20,913
Revaluation Deficits/(surpluses) & Impairments	(98)	13,688
	18,161	34,601
	100,580	112,890

Official Veterinarians are qualified veterinarians in private practice who undertake work on behalf of APHA. The charge against operating costs for the year ended 31 March 2015 is based on activity undertaken by Official Veterinarians and paid for during the year together with:

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

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

Hard charges are recharges for services provided by Defra, either directly or through contract arrangements.

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

The estimated value of non-specialised freehold property owned by Defra but occupied by APHA is £10,138k (2013/14: £8,691k). The increase relates to the addition of property occupied by former FERA staff, a comparable figure for 2013/14 would have been £8,879k.

Within Estates Management and Accommodation Services £1,373k (2013/14: £1,469k) relates to facilities management costs associated with the proportion of occupation of buildings that are either owned or leased by Defra or specialised properties held on APHA's SoFP. The commitments are consistent with arrangements containing a lease as defined by IFRIC 4, Determining Whether an Arrangement Contains a Lease.

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

Notional charges include the services of Defra Investigation Services. The External Audit fee includes the Comptroller and Auditor General audit fee of £200k for the audit of the 2014/15 financial statements (2013/14: £240k). No remuneration was paid to the auditors for non-audit work.

6 Income

Analysis by Customer	2014/15 £'000	2013/14 £'000
Defra	(166,242)	(165,815)
Devolved Administrations	(35,106)	(39,503)
UK Commercial and External	(11,834)	(8,766)
EU Commercial	(947)	(2,596)
Overseas Commercial	(2,100)	(2,136)
Total	(216,229)	(218,816)

7 Property, Plant and Equipment

2014/15	Land £'000	Buildings £'000	Scientific Equipment £'000	Office Equipment and Furniture £'000	Plant and Motor Vehicles £'000	IT Assets £'000	Asset in the Course of Construction £'000	Total £'000
Cost or Valuation								
1 April 2014	17,580	197,384	25,819	5,187	4,379	9,557	820	260,726
Transfer from FERA	0	0	58	7	17	0	0	82
Additions	0	0	303	0	0	20	1,836	2,159
IBM Asset Movement	0	0	0	0	0	147	0	147
Transfers	(1,496)	(14,089)	0	0	0	0	0	(15,585)
Disposals	0	(417)	(1,807)	(116)	(354)	(11)	0	(2,705)
Revaluation	6,833	45,598	658	2	64	17	0	53,172
31 March 2015	22,917	228,476	25,031	5,080	4,106	9,730	2,656	297,996
Depreciation								
1 April 2014	0	(26,388)	(19,299)	(4,477)	(2,714)	(8,392)	0	(61,270)
Transfer from FERA	0	0	(23)	(3)	(17)	0	0	(43)
Charged	0	(5,142)	(1,538)	(167)	(317)	(57)	0	(7,221)
IBM Asset Depreciation	0	0	0	0	0	(323)	0	(323)
Transfers	0	1,701	0	0	0	0	0	1,701
Disposals	0	270	1,723	112	336	12	0	2,453
Revaluation	0	24,396	(490)	(2)	(29)	(17)	0	23,858
31 March 2015	0	(5,163)	(19,627)	(4,537)	(2,741)	(8,777)	0	(40,845)
Net Book Value 31 March 2015	22,917	223,313	5,404	543	1,365	953	2,656	257,151
Asset Financing:								
Owned	22,917	223,313	5,404	543	1,365	53	2,656	256,251
Service Concession Arrangements	0	0	0	0	0	900	0	900
Net Book Value 31 March 2015	22,917	223,313	5,404	543	1,365	953	2,656	257,151

Land & Buildings

Montagu Evans undertook a professional valuation of land and buildings during the year ended 31 March 2015. The valuation increased buildings by £103 million whilst other properties reduced in value by £26 million giving a net value of land and buildings of £77 million which is reflected in the above values as at 31 March 2015 of which £76.9 million (2013/14: £48k) was credited to Revaluation Reserve and £98k (see paragraphs 2, 3 and 4 below) credited to the SoCNE. This revaluation was carried out using the depreciated replacement cost method, taking into account both current and expected future economic conditions.

There were significant changes to the accounts resulting from the revaluation:

1. The valuation of buildings takes account of changes in market conditions since the last revaluation in March 2010. The market is now improving from a low point in 2008. It also allows for the level of maintenance and any refurbishment or improvement work carried out. This resulted in a significant increase in land and building asset values of £76,840k.
2. Assets which had reduced in value in previous revaluations, in some cases have now increased in value, and a credit of £20,685k has been charged to the SoCNE to offset prior year impairments.
3. There were also assets which decreased in value owing to market conditions, totalling £20,587k.
4. The net credit of 2 and 3 above gives a net charge to SoCNE of £98k, this is shown as other administrative costs, see Note 5.

Transfers relate to surplus land and buildings that have been transferred to Defra. The six assets were located at: Truro, Preston, Bristol, Winchester, Stratford and Aberystwyth.

2013/14	Land	Buildings	Scientific Equipment	Office Equipment and Furniture	Plant and Motor Vehicles	IT Assets	Asset in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation								
1 April 2013	16,874	205,757	34,084	6,156	4,552	11,382	838	279,643
Transfer from FERA	0	0	633	0	348	1	0	982
Additions	0	6,372	95	4	42	22	775	7,310
IBM Asset Movement	0	0	0	0	0	(465)	0	(465)
Transfers	0	793	0	0	0	0	(793)	0
Disposals	(110)	(23)	(5,989)	(123)	(97)	(448)	0	(6,790)
Impairment	0	(5,144)	0	0	0	0	0	(5,144)
Revaluation	816	(10,371)	(3,004)	(850)	(466)	(935)	0	(14,810)
31 March 2014	17,580	197,384	25,819	5,187	4,379	9,557	820	260,726
Depreciation								
1 April 2013	(5)	(21,247)	(24,123)	(4,623)	(2,458)	(8,924)	0	(61,380)
Transfer from FERA	0	0	(272)	0	(245)	(1)	0	(518)
Charged	0	(5,600)	(1,741)	(416)	(347)	(76)	0	(8,180)
IBM Asset Depreciation	0	0	0	0	0	(318)	0	(318)
Transfers	0	0	0	0	0	0	0	0
Disposals	5	0	5,669	115	95	448	0	6,332
Impairment	0	464	0	0	0	0	0	464
Revaluation	0	(5)	1,168	447	241	479	0	2,330
31 March 2014	0	(26,388)	(19,299)	(4,477)	(2,714)	(8,392)	0	(61,270)
Net Book Value 31 March 2014	17,580	170,996	6,520	710	1,665	1,165	820	199,456
Asset Financing:								
Owned	17,580	170,996	6,520	710	1,665	89	820	198,380
Service Concession Arrangements	0	0	0	0	0	1,076	0	1,076
Net Book Value 31 March 2014	17,580	170,996	6,520	710	1,665	1,165	820	199,456

8 Intangible Assets

2014/15	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
Cost of Valuation				
1 April 2014	82	119,498	11,399	130,979
Transfer from FERA	4,063	0	0	4,063
Additions	0	0	3,970	3,970
Transfers	0	0	0	0
Disposals	(5)	(1,228)	0	(1,233)
Impairment	0	0	0	0
Revaluation	8	1,129	0	1,137
31 March 2015	4,148	119,399	15,369	138,916
Amortisation				
1 April 2014	(55)	(80,262)	0	(80,317)
Transfer from FERA	(3,451)	0	0	(3,451)
Charged	(181)	(10,534)	0	(10,715)
Transfers	0	0	0	0
Disposals	5	998	0	1,003
Impairment	0	0	0	0
Revaluation	(7)	(756)	0	(763)
31 March 2015	(3,689)	(90,554)	0	(94,243)
Net Book Value				
31 March 2015	459	28,845	15,369	44,673

2013/14	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
Cost of Valuation				
1 April 2013	230	140,066	6,466	146,762
Transfer from FERA	0	2	0	2
Additions	0	0	5,234	5,234
Transfers	0	0	0	0
Disposals	(150)	(9,906)	(301)	(10,357)
Impairment	0	0	0	0
Revaluation	2	(10,664)	0	(10,662)
31 March 2014	82	119,498	11,399	130,979
Amortisation				
1 April 2013	(196)	(84,568)	0	(84,764)
Transfer from FERA	0	(2)	0	(2)
Charged	(3)	(12,412)	0	(12,415)
Transfers	0	0	0	0
Disposals	150	9,906	0	10,056
Impairment	0	0	0	0
Revaluation	(6)	6,814	0	6,808
31 March 2014	(55)	(80,262)	0	(80,317)
Net Book Value				
31 March 2014	27	39,236	11,399	50,662

There is one material individual intangible asset, Business Reform Programme (BRP), the total cost of BRP is £28,607k with a remaining useful life of 3.5 years.

9 Financial Instruments

As the cash requirements of APHA are met through the estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with APHA's expected purchase and usage requirements and APHA is not exposed to credit, liquidity or market risk. Accordingly no disclosure is required.

10 Inventories

	31 March 2015 £'000	31 March 2014 £'000
Veterinary and Laboratory Consumables	947	895
Raw materials	1,155	1,144
Finished goods	4,925	4,413
Obsolescence provision	(3,028)	(678)
Total	3,999	5,774

11 Trade Receivables and Other Current Assets

	31 March 2015 £'000	31 March 2014 £'000
Amounts falling due within one year:		
Trade receivables	43,072	24,488
Other receivables	359	407
Trade and Other Receivables	43,431	24,895
Other Current Assets		
Deposits and advances	9	13
Prepayments and accrued income	10,732	31,378
	10,741	31,391
Balance as at 31 March 2015	54,172	56,286

Trade receivables and other current assets include £47,033k due from other UK government bodies (2013/14: £42,612k), £Nil from local authorities (2013/14: £1k) and £Nil from other public bodies (2013/14: £51k). The remaining balance is due from bodies external to UK government.

12 Cash and Cash Equivalents

	2014/15 £'000	2013/14 £'000
Government Banking Service		
Opening balance	29,431	10,291
Net change in balances	9,077	19,140
Closing balance	38,508	29,431

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

13 Trade Payable and Other Current Liabilities

	31 March 2015 £'000	31 March 2014 £'000
Trade and Other Payable		
Trade payables	(3,671)	(705)
Other payables	(961)	(648)
Payroll payables	(2,814)	(2,725)
	(7,446)	(4,078)
Other Liabilities		
Accruals and deferred income	(48,622)	(51,099)
Other taxation	(30)	(946)
	(48,652)	(52,045)
Provisions	(3,127)	(2,745)
Balance as at 31 March 2015	(59,225)	(58,868)

Trade payables and other current liabilities due within one year include £29,312k due to other UK government bodies (2013/14: £32,697k) and £nil due to other public bodies (2013/14: £7k). The remaining balance is due to bodies external to UK government.

Included within other payables is the current liability of £844k to pay for the "Right of Use" assets to IBM (2013/14: £543k).

14 Lease Obligations

	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	844	543
Balance in Current Liabilities	844	543
Later than one year and not later than five years	1,472	1,441
Later than five years	0	0
Balance in Non Current Liabilities	1,472	1,441
Balance as at 31 March 2015	2,316	1,984

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

15 Provisions for Liabilities and Charges

	Early Departure Costs £'000	Taxation £'000	Other £'000	Property Related Provision £'000	Total £'000
At 1 April 2013	53	3	142	1,707	1,905
Provided in the year	0	0	240	1,118	1,358
Provisions not required written back	0	0	(140)	(130)	(270)
Provisions utilised in the year	0	0	(2)	(221)	(223)
At 31 March 2014	53	3	240	2,474	2,770
Provided in year	0	0	670	1,883	2,553
Provisions not required written back	(53)	(3)	(534)	(85)	(675)
Provisions utilised in the year	0	0	(55)	(119)	(174)
At 31 March 2015	0	0	321	4,153	4,474
Not later than one year	0	0	321	2,806	3,127
Balance in Current Liabilities	0	0	321	2,806	3,127
Later than one year and not later than five years	0	0	0	666	666
Later than five years	0	0	0	681	681
Balance in Non-Current Liabilities	0	0	0	1,347	1347
At 31 March 2015	0	0	321	4,153	4,474

Property Related Provisions

APHA is responsible for future dilapidations on specialist building areas, where the agency has to return premises to their original condition upon leaving, and for the removal of asbestos identified in occupied property. An estimate of dilapidations following a comprehensive review of our future plans for occupied properties identified a provision of £4,153k (2013/14: £2,474k) in respect of all properties that the agency occupies.

The current provision comprises: Dilapidations £3,627k, asbestos £274k and demolitions £251k.

Other

Other provisions comprise of £321k for tribunal and legal costs.

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

16 Reserves

Revaluation Reserve	Tangible Assets £'000	Intangible Assets £'000	Total £'000
Balance at 1 April 2013	37,793	15,173	52,966
Net loss on revaluation of property, plant and equipment	(3,508)	0	(3,508)
Net loss on revaluation of intangible assets	0	(3,991)	(3,991)
Transfers between reserves	(1,375)	1,020	(355)
In Year Movement	(4,883)	(2,971)	(7,854)
Balance at 31 March 2014	32,910	12,202	45,112
Net gain on revaluation of property, plant and equipment	76,932	0	76,932
Net gain on revaluation of intangible assets	0	374	374
Transfers between reserves	(7,408)	(9,316)	(16,724)
In Year Movement	69,524	(8,942)	60,582
Balance at 31 March 2015	102,434	3,260	105,694

17 Commitments Under Operating Leases

	2014/15 £'000	2013/14 £'000
Leasehold property operating lease payments due in:		
No later than one year	1,507	1,131
Later than one year and not later than five years	3,077	2,395
Later than five years	1,764	2,209
Total	6,348	5,735

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

Of the above £338k (2013/14: £1,544k) related to Land and £6,010k related to Buildings (2013/14: £4,191k).

18 Commitments under Private Finance Initiative (PFI) Contracts

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

19 Obligations under Service Concession Arrangements

	2014/15 £'000	2013/14 £'000
Obligations under service concession arrangements due in:		
No later than one year	12,466	15,006
Later than one year and not later than five years	22,403	41,518
Later than five years	0	0
Total	34,869	56,524

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

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

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

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

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

20 Other Financial Commitments

	2014/15 £'000	2013/14 £'000
Facilities management costs relating to Defra Leasehold, Specialised and Freehold Properties due in :		
No Later than one year	12,883	11,937
Later than one year and not later than five years	49,566	46,239
Later than five years	49,566	57,799
Total	112,015	115,975

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

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

21 Contingent Liabilities

There were no contingent liabilities at 31 March 2015 (2013/14: None).

22 Losses and Special Payments

Special Payments	2014/15	2013/14
Cases	6	16
Cost (£'000)	154	105

Special payments relate to legal costs and the settlement of any claims against APHA.

Losses	2014/15	2013/14
Cases	75	116
Cost (£'000)	32	10

Losses relate to a large number of small stock and other write-offs

23 Related Party Transactions

APHA is an Executive Agency of Defra and is also a supplier of services to Defra. During the period ended 31 March 2015 Defra provided APHA with remuneration for services and provided a number of services to APHA. In addition APHA had a number of operational transactions with the Department's other Executive Agencies, (the Food and Environment Research Agency, the Rural Payments Agency, and the Veterinary Medicines Directorate), and with other government bodies, notably the Scottish Government, the Welsh Government, and the Food Standards Agency.

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

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

The agency keeps a fully updated Register of Interests.

24 Events after the Reporting Period

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

Annex A – Summary of Performance Targets

Corporate Objectives

APHA's corporate objectives are agreed with our corporate owner.

Financial Performance	
To meet agreed financial performance and efficiency targets	MET IN PART
To drive value by maximising assets and embed sustainability into business activities	MET
Customer Satisfaction	
To achieve a high standard of customer service	MET
Internal Business Process	
To achieve delivery of Service Level Agreements	MET IN PART
To deliver effective and efficient regulatory outcomes, robust evidence, and incident response	MET
To develop and maintain science capabilities to support Defra and wider government needs	MET
Continue to improve the health and safety culture of APHA	MET IN PART
Learning, Growth & Wellbeing	
To develop a culture of ownership and accountability that values everyone for their contribution	MET

Operational Performance Measures

Border Controls	
Ensure at least 99.5% of Export Health Certificates issued do not require re-issue due to errors by APHA	MET
Bird registration applications to be processed within 5 working days of receipt	NOT MET
Ensure a minimum of 97% of CITES licences are issued without errors by APHA	MET
Ensure a minimum of 97% of bird registration documents are issued without errors by APHA	MET
CITES permits and certificates to be issued within 15 working days of receipt	MET
Disease Risk Reduction	
Complete routine inspections required under a risk based approach	NOT MET
Deliver 100% of national and significant regional agricultural show approvals	MET
Deliver 100% of annual inspections to markets required on an annual basis	MET
To ensure all specified fields are completed for all new livestock units registered on Sam	MET
Sample 100% of the sheep and goat flocks selected for the sheep and goat survey	MET

Endemic Disease – Tuberculosis	
During 2014/15 to significantly the number of persistent herds in England	MET
Complete 100% of agreed target level of Official Veterinarian audits	MET
During 2014/15 reduce by 10% the number of persistent herds in Wales from a baseline of 72 (the number at 1 April 2014) to 65 by 31 March 2015	MET
During 2014/15 reduce by 40% the number of overdue herds in Wales from a baseline of 2524 (the number at 1 April 2014) to 1515 by 31 March 2015	MET
During 2014/15 reduce by 5% the number of overdue herds in Scotland from a baseline of 269 (the number during the year) to 256 by 31 March 2015	NOT MET
Achieve a sustained reduction in the total number of long term (more than 60 days) overdue tests	MET
Exotic Disease	
A Veterinary Inspector will be dispatched to any report of a suspected case of an immediate level exotic disease (report or consultation) requiring a visits within 30 minutes of the decision being made that a veterinary enquiry is necessary	MET
For all suspect cases of exotic notifiable disease that are reported to APHA, deliver a good service	MET
Complete 100% of the Avian Influenza survey in 2014/15	MET IN PART

Protecting the Food Chain	
Complete risk-based sampling visits under the National Feed Audit	MET
BSE suspects will be visited no later than the next working day and APHA will serve a whole herd restriction notice on all natal and rearing holding immediately. In addition eligible BSE offspring and cohorts to be restricted within 2 working days of notification	MET
100% of risk based visits to be completed throughout the year to provide uniform coverage for all premises involved with egg marketing	NOT MET
Complete 100% of inspections per flock turnaround for registered sites that are in production	MET
Reportable Disease and Other Zoonoses	
Collect 100% of the quarterly bulk milk tank samples from producer-retailers	NOT MET
Complete 100% of salmonella NCP sampling for which APHA are responsible	NOT MET
Animal Welfare	
Ensure that animals are protected from unnecessary pain and suffering (UPUS) by visiting 95% of reports assessed as high priority, via a veterinary risk assessment, within one calendar day of notification	MET
To support the payment agencies by ensuring that by 30 November 2014, 100% of cross compliance inspection reports are returned to the payment agency	MET

Plant Health, Bee Health, Plant Varieties and Seeds and GM Measures

Surveillance, Eradication and Containment	
Eradicate or contain, as appropriate, pest and pathogen outbreaks	MET
Ensure preparedness to manage any outbreaks of plant pests and diseases	MET
Carry out surveillance to identify plant pests and pathogens in the UK	MET
Reduce spread and impact of <i>Pythophthora ramorum</i> and <i>Phytophthora kernoviae</i> on wider environment	MET
Exports and Plant Passporting	
Facilitate the export of plants, seeds and plant products, including grain in compliance with international standards	MET
To register new clients for plant passporting, visit and authorise as necessary	MET
Ensure current information for advice is present for both export and plant passporting	MET
Ensure all authorised clients have official inspections	MET
Specific Protected Zone requirements are met for Fire Blight Buffer Zone (FBBZ)	MET
Varieties and Seeds	
Facilitate the breeding of new varieties suited to UK conditions and registration to identify and characterise them	MET
Maintain the quality of plant reproductive material marketed in England and Wales	MET IN PART

Maintenance and delivery of varieties and seeds capability for the public good	MET IN PART
Technical support for development of UK policy for varieties and seeds	MET
Bee Health	
Minimum of 50% documentary and 30% physical checks to be carried out	MET
Treatment/destruction of affected hives within 10 days of laboratory confirmation	MET
Contingency plans and capability report to be reviewed, tested and signed off annually	MET
Meet EU reporting deadlines by submitting data in the required format by October 31 deadline	MET

Science Measures

Deliver 220 publications	EXCEEDED
Achieve 95% of research milestone	NOT MET
Achieve 100% of surveillance deliverables	MET
Produce 100% of annual reports for Defra research	MET
Produce 100% of final reports for Defra research	MET
Maintain quality accreditations	MET

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