Veterinary
Medicines
Directorate

Veterinary Medicines Directorate

Annual Report & Accounts

2020/21

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

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Veterinary Medicines Directorate

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

Annual Report and Accounts

2020/21

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Overview

Chief Executive's Statement

The Veterinary Medicines Directorate (VMD) is the UK regulator of veterinary medicines and policy adviser on this to ministers. We facilitate wide availability of safe and effective medicines to prevent and treat diseases and improve welfare in animals. In doing so we ensure that this is not at the expense of human health or the environment. Veterinary medicines are important to ensure a viable livestock and fish-farming industry and healthy lives for companion and working animals. We deal with all applications for a Marketing Authorisation for veterinary medicines to specified timelines, and when necessary urgency of need. Where necessary, we take formal action against the illegal supply of veterinary medicines in order to protect human and animal health. We continue to seek opportunities to reduce regulatory burden and to improve our operational efficiency.

The VMD had a very successful year, delivering the Business Plan to budget, while maintaining services acknowledged as excellent, and maintaining a high staff engagement index. We have retained whole business ISO 9001:2015 certification, and ISO 27001:2013 for Information Security Management Systems.

For most of the year we have been operating during the transition period ensuring all exit related medicines legislation is in place and that there was no disruption to the supply of medicines within the UK. We now have new primary powers, the Medicines and Medical Devices Act, which provides the legal basis for revision of our secondary legislation. We have also been operating within the restrictions of the Covid-19 pandemic. This also threatened the supply of medicines. It also impacted negatively on our ability to undertake site inspections and in country training overseas. In response we have developed where possible virtual inspections and developed online e-learning tools as well as gaining experience in virtual conference capability. These lessons will be pulled across to working practices under more normal conditions.

The VMD leads activity across government on antimicrobial resistance (AMR) in animal health. We continued to work closely with the veterinary profession, livestock industry and other stakeholders across the public and private sectors to implement the Government's 2019-2024 AMR strategy (20-year vision on AMR and the 5-year action plan). Our collaborative approach has been a key factor in achieving a 40% reduction in the use of antibiotics in agriculture.

About the Veterinary Medicines Directorate

Purpose
The VMD is the UK competent authority for veterinary medicines regulation. We seek to ensure maximum availability of safe and effective medicines for prevention and treatment of diseases and improved welfare in all animal species. We also ensure that the medicines pose minimal possible risk to human health and the environment. The breadth of our functions in support of our purpose are presented below.

The Overview section of this report summarises our organisation, objectives, key risks to the achievement of our objectives, and how we have performed during the year.

We are responsible for:
Government:

- servicing, developing and implementing government policy and legislation on veterinary medicines
- supporting Ministers through briefing and advice on correspondence and Parliamentary Questions
- collaborating with government departments and agencies, and stakeholder groups
- working internationally
- enforcement of the Veterinary Medicines Regulations (VMR)
- commissioning veterinary medicines related Research and Development (R&D)
- leading on antibiotic use and on antimicrobial resistance (AMR) surveillance

Veterinary pharmaceutical industry:

- assessing, issuing and maintaining all national Marketing Authorisation (MA) applications in accordance with legislation
- post-authorisation surveillance (pharmacovigilance) through the collation of suspected adverse event reports
- licensing and/or inspection of manufacturers, wholesale dealers and retailers of veterinary medicines

Food industry:
Manage the programme for the surveillance of residues of veterinary medicines and banned substances in home-produced livestock and animal products, reporting of results and co-ordinating follow-up action.

Future developments, performance and risk
Our key challenges throughout 2020/21 and our plans for meeting them have been outlined in the VMD's Business Priorities which are detailed from page 5 of this report.

Key future developments and/or risks are the:

- UK's regulatory independence from the EU
- economic climate affecting the veterinary pharmaceutical industry and the number of authorisation applications the VMD receives
- developing new international alliances on medicines regulation
- implementation of the new UK strategy on antimicrobial resistance
- continue broadening externally funded outreach work on developing medicines regulation and antimicrobial resistance control capability
- building our role and reputation as a training provider on all aspects of veterinary medicine regulation
- revision of the Veterinary Medicines Regulations

Our approach to managing the principal risks is described in the Governance Statement in this report.

Operating framework
We operate within an overall policy and financial framework determined by the Secretary of State for Defra, through the Parliamentary Under Secretary of State for Rural Affairs and Biosecurity. More information on our governance is set out in our Framework Document.

Going concern
The financial statements are prepared on a going concern basis. In common with other agencies in the Defra Group, the future financing of the VMD's liabilities is to be met by future supply of Grant in Aid and the application of future income from fees and charges, both approved annually by Parliament. Approval for the amount required for 2021/22 has already been given and there is no reason to believe that future approvals will not be forthcoming. Furthermore, the Veterinary Medicines Regulations (Amendment) (EU Exit) 2020 was effective in January 2021, and the VMD continues to lead on activity across government on AMR in animal health, the UK government have committed to maintaining funding to implement the 2019-2024 AMR strategy and the 5-year action plan, all multi-year projects which confirms the VMD functions are necessary and should continue to be delivered and that the VMD is best placed to carry out these functions.

Performance Summary

In 2020/21 the VMD delivered regulatory services to the veterinary pharmaceutical industry (VPI) to a total cost of £6.0m, these costs for authorisations and inspections work are fully recovered through fees and charges to this industry. The costs of regulation of the food industry £3.7m, are recovered through charges levied on abattoirs and other food processors. Through these fees we achieved full cost recovery.

We thoroughly monitor our financial performance and continue to seek efficiency while maintaining our standards of performance. We managed to achieve our 2020/21 targets, while maintaining our fees at or below the rates set in the Veterinary Medicines

Regulation 2013 applicable to the veterinary pharmaceutical industry or SI No: 2945 applicable to the food industry charges.

The VMD also delivered a core programme of work for Defra customers. Activities include policy, enforcement and management of the R&D and AMR programmes. The VMD receive parliamentary funding for this work through Defra to an agreed budget. The approved budget for these activities was set at £5.93m, of which £5.34m was utilised, inclusive of non-cash and notional recharges.

Additional parliamentary funding was made available for the 2020/21 year as we continued preparing for EU Exit and transition, to ensure smooth continuation of medicines availability and over-sight at the point of EU Exit and to explore the opportunities that arise from exit. Resources to support EU Exit work were £9.42m, including £1.87m capital investment, for the repatriation of IT systems to replace those we no longer have access to.

The government signed agreements with ferry operators to provide freight capacity, to mitigate the risk of disruption as the UK and EU adjust to new border processes at the end of the transition period. This ferry capacity made available an alternative supply route for companies moving prioritised products into the UK, which included veterinary medicines. A further £1.40m funding was approved in-year, available on a contingent basis, to be channelled via the VMD to offset the cost of unutilised capacity. The Department for Transport reported a cost of £1.48m for unused freight capacity to be recharged up to 31 March 2021.

Our total operating expenditure for the financial year was £14.05m.

Cash flow

Cash and cash equivalents have decreased to £1.89m as at 31 March 2021 from £3.89m as at 31 March 2020, a decrease of £2m. In year, the VMD's net cash draw down was £11.9m. The net cash requirement under the gross control funding arrangement was £13.9m.

We aim to follow and support the principles of the Better Payment Practice Code in compliance with the Public Sector Payment Policy to pay 80% of undisputed invoices within five working days. During the year we paid 99.3% of undisputed invoices within five working days.

Business priorities and Key Performance Indicators (KPIs)

We successfully delivered against our framework of Deliverables and KPIs through which we provide the best possible service to all our customers.

Performance Analysis

About the performance analysis

This report outlines our performance against our priorities for the financial year from 1 April 2020 to 31 March 2021. It gives examples of how we are achieving our aims and highlights important events from the year. It follows the structure of our Deliverables and KPIs for 2020/21 to show how we are meeting our objectives.

The Defra Strategy

A clear, shared framework is provided to staff across the whole group of Defra organisations (including non-ministerial departments, executive agencies, non-departmental and other public bodies) in Defra's Single Departmental Plan. Actions to achieve Defra's strategic objectives are described in detail in the plan.

Our performance

We successfully delivered against the majority of our Deliverables and KPIs, the details of which are given against our business priorities below.

Business Priority 1 – Policy

Policy lead on behalf of Defra for veterinary medicines and AMR

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

Key Performance Indicators

Reference	KPI	KPI Met	KPI update
1.1	Complete consultation on revisions to the Veterinary Medicines Regulations	Partially met	Consultation on the revisions to the Veterinary Medicines Regulations 2013 has not been completed in 2020 due to the impact of Covid-19, EU Exit work and the activities for the Medicines and Medical Devices Act (see 1.2). Throughout 2020 internal consultation has taken place with VMD policy area owners with regard to "Business as Usual", the EU Regulations 2019/4 and 2019/6 and fees (structure). In light of the UK leaving the EU, the EU regulations were revisited to review for additional opportunities for the UK in terms of regulation of veterinary medicines. Informal consultation with external stakeholders has continued. Formal, public consultation on the proposed changes to the Veterinary Medicines Regulation is planned for Q3/4 2021.

1.2	Royal Assent for the Medicines and Medical Devices Bill.	Yes	The Medicines and Medical Devices (MMD) Act received Royal Assent on 11 February 2021. The MMD Act provides the powers needed to update the legislative framework for veterinary medicines and medicated feed (the Veterinary Medicines Regulations 2013).
2.1	Milestones and deliverables led by the VMD in the UK 5-year AMR national action plan achieved, namely: Implement new veterinary pathogen surveillance programme.	Partially met	VMD and APHA have co-authored an article in the *Vet Record* stating our recommendations for monitoring key veterinary pathogens, which is available via open access. Due to Covid-19 related delays in the manufacture and delivery of the specialised minimum inhibitory concentration plates required for this project, implementation has been postponed until 2021-2022.
2.2	Annual report on antibiotic sales and antibacterial susceptibility data published (Q3).	Yes	The UK Veterinary Antibiotic Resistance and Sales Surveillance (UK-VARSS) Report 2019 was published in full and on time during World Antibiotic Awareness Week in November 2020, to coincide with the Responsible Use of Medicines in Agriculture Alliance (RUMA) Targets Task Force report for 2021-2024. The UK-VARSS report indicated that UK antibiotic sales have increased slightly since 2018 but are still 50% lower than in 2014. The prevalence of extended spectrum beta-lactamase (ESBL)-producing *E. coli* in pigs has continued to decline since 2015, coinciding with a reduction in usage of both total and highest-priority critically important antibiotics (HP-CIAs) in this sector.
3.1 & 3.2 combined	Develop options on biodiversity impact assessment. Explore whether there is legislative opportunity to help reduce climate change impact of a marketed medicine.	Yes	We have developed a strategic approach to supporting government policy on biodiversity and climate change'. This looks at options for biodiversity impact assessment and whether there is a legislative opportunity to help reduce the climate change impact of a marketed medicine. More specifically, the paper introduces perspectives on biodiversity and climate change. It also briefly outlines the UK Government's policy on biodiversity and climate change. The paper goes on to describe how the work of the VMD currently supports this policy, and evaluates if the VMD can further support the Government's policy on biodiversity, by: • performing a gap analysis, according to current and potential new veterinary

			medicines regulations • proposing a strategic approach for the VMD to follow The resulting next steps will be to evaluate if it is feasible to implement such a strategic approach.
3.3	Provide funding to projects exploring development of medicines for bees.	Yes	Ongoing project with University of Aberdeen, within our R&D programme, which aims to provide impetus for the pharmaceutical industry to develop medicinal treatments for unmet clinical needs in bee health is progressing. Covid-19 restrictions had some impact in terms of progress due to less access to materials and laboratories.

Business Priority 2 – Delivering effective regulation during EU Exit Transition Period and beyond

Why are we doing this? The UK has left the EU. As a consequence, we need to ensure that animal medicines availability in the UK is not compromised and that the UK remains attractive to the pharmaceutical industry for Marketing Authorisation applications and complying with all post authorisation regulations.

Key Performance Indicators

Reference	KPI	KPI Met	KPI update
1	All day 1 readiness projects completed to minimum operating capacity. Engage fully with all negotiation work across government, proactively managing risks.	Yes	All day 1 readiness EU Exit projects completed to minimum operating capacity. Successfully negotiated maximum benefits of EU/UK Trade and Cooperation Agreement (TCA). Mitigation and contingency work has successfully avoided or delayed potential risks to UK availability of veterinary medicines.
2	Commence public Beta for IT replacement systems by Q3.	Yes	We successfully commenced public Beta for the IT replacement systems by Q3. These included, Login and Registration, Secure Messaging, Adverse Event Reporting, Licensing Submissions and Electronic Application Form.
3	Become a member (full or observer status) of one non-EU international medicines body.	Yes	We successfully sought to be part of VICH (a technical harmonisation body for veterinary medicines regulation), and now join Japan, EU, USA, Canada, Australia, New Zealand and South Africa as key members. The EU's European

			Medicines Agency used to represent us. We can now be part of expert working groups preparing guidelines which play a key role in achieving common international standards for regulation.
4.1	To have quarterly liaison meetings with the regulatory bodies with responsibility for veterinary medicines in Australia, Canada and New Zealand.	Yes	We exceeded our objective of meeting quarterly with our counterparts from the Australian, Canadian and New Zealand authorities. Whilst starting out on a programme of quarterly liaison meetings, the events surrounding the global pandemic resulted in our meeting with these authorities, and regulators from the US, monthly. Initially discussions were focussed on the effects of Covid-19 on the supply chains from possible restrictions on the manufacture of the active substance used in veterinary medicines to diverting supply or repurposing of existing veterinary products to human medicinal use. Over more recent months the focus has been on opportunities for greater collaboration and information sharing. These meetings are now firmly embedded as business as usual and the levels of cooperation are starting to filter down to encompass more operational activities.
4.2	Finalise a Memorandum of Understanding (MOU) with the Veterinary Drugs Directorate in Canada.	Yes	Approaches have been made with the Veterinary Drugs Directorate to refresh the existing MOU which was signed in 2016. This has now been agreed in principal.
4.3	Create at least one route for a harmonised joint regulatory pathway with another regulatory leader/partner country.	Yes	We have agreed a process of joint review with the Veterinary Drugs Directorate in Canada. This review allows both regulators to review the data provided in support of an application for a veterinary medicinal product, but to be able to take independent national sovereign decisions. The process involves collaboration and cooperation between both of our agencies and provides benefits to the applicant in managing a project spanning regulatory jurisdictions with a single

			team. They would receive questions at the same time, share resources internally to respond at the same time and will ultimately receive a decision at the same time, which is not bound by the requirement to have common labelling. Although the ideal would be to agree common labels, it is not essential. Details of this process can be found on our respective websites.

Business Priority 3 – Delivery of core regulatory services

A) Facilitate optimal availability and safe use of veterinary medicines

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

Key Performance Indicators

Reference	KPI	KPI Met	KPI Update
1-2	Monthly reporting against all Published Standards which set out the timelines and performance indicators for a range of key functions*. Overall performance against published standards to be at or above the effective level (≥92% of performance indicators met). To review and publish new or revised guidance where necessary on 5 topics to ensure decision making processes are transparent/fit for purpose/relevant for the UK. Consult on the proposed Regulatory Science Strategy by end of Q3.	Yes	The expectations for the VMD's performance (time and quality) in terms of handling applications, inspections and pharmacovigilance matters are set out in the published standards. Of 26 individual performance parameters, where 12 or more applications were received, 24 met the 'excellent' performance standard and two were rated as ineffective. In both cases we still achieved an outcome of 91% in accordance with the published standard. Overall, our performance related score was 92.31% and therefore effective for the year. The independent Veterinary Products Committee (VPC) rated the quality of the VMD initial assessments for Marketing Authorisation applications as level 4.7 confirming that the VMD properly identified potentially serious risks to human and animal health and

			the environment and that questions were comprehensive, clear and justified. Guidance was reviewed and published to ensure decision processes are clear and relevant for the UK. All on-site inspections were postponed on 18 March 2020 due to our response to the Covid-19 outbreak and while the temporary easing of restrictions during 2020/21 enabled a small number to be conducted, we were unable to complete the planned inspection programme for the year. However, our inspection procedures enable us to extend our Good Manufacturing Practice (GMP) inspections beyond 3 years and our Good Distribution Practice (GDP) inspections beyond 5 years where there are exceptional circumstances, provided a documented risk assessment is carried out. Risk assessments were conducted for all sites where it was not possible to meet our inspection KPIs due to Covid-19 related restrictions. The draft Regulatory Science Strategy was presented at the VMD's Open Day on 18 November 2020 and a 10-week consultation period was launched, ending on 31 January 2021. Comments were received from 20 respondents representing a wide range of stakeholders.
3	Report pharmacovigilance findings to the Veterinary Products Committee and publish findings. Take proportionate action.	Yes	The pharmacovigilance team have provided reports to the Veterinary Products Committee at each of their meetings, for both animal and human adverse events. Additional information on any environmental reports has also been provided. The pharmacovigilance annual review for 2019 was published at the end of 2020. During 2019, 55 products labels or Summary of Product Characteristics were improved based on pharmacovigilance data.
4.1	Meet the assessment and issuing of import certificates	Yes	99% of Special Import Certificate applications received for VMD

	as detailed within the published standards.		assessment were approved or refused within 2-15 working days of receipt, as per the VMD’s published timescales.
4.2	Report on availability issues and import patterns to the Veterinary Products Committee at each of its meetings.	Yes	The General Assessment Team have provided quarterly summary reports of all Special Import Certificates granted by the VMD for the information of the Veterinary Products Committee at each meeting. Additional information regarding key availability issues for UK veterinary medicines and consequential trends observed in Special Import Scheme activity have also been shared at these meetings.
4.3	Liaise with the relevant stakeholders where availability issues become known.	Yes	The VMD continued to liaise with relevant stakeholders when availability issues became known. This included liaison with Marketing Authorisation holders, veterinary wholesale dealers, the Chief Veterinary Officer and representatives from relevant veterinary bodies. Information of availability issues affecting UK veterinary surgeons have been published on the VMD’s ‘Known supply problems’ page.
5	Respond to ‘High risk’ product defect reports within 5 working days and all others within 10 working days.	Yes	All product defect reports have been responded to within 10 working days. Of the 54 product defect reports received, none of them were considered as high risk.

*Performance indicators for the main types of marketing authorisation application work, some inspection work, the recording and assessment of pharmacovigilance data, and the publication of summary of product characteristics (SPC) and public assessment reports.

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

Why are we doing this?: To detect unsafe products or activities and to take corrective action to ensure confidence in veterinary medicines, assist competitiveness, aid consumer confidence, assist with safety and help to ensure medicines, in particular antibiotics, are used responsibly to maintain effectiveness.

Key Performance Indicators

Reference	KPI	KPI Met	KPI Update
1.1	Residues surveillance plan for 2020 delivered and results published (Q4).	Yes	The 2020 residues surveillance programme was delivered in full with over 99.9% of planned samples being collected, which is a great achievement given the challenging conditions posed by Covid-19. The number of non-compliances identified remained low, continuing the trend of recent years.
1.2	Residues surveillance programme for 2021 agreed (Q3).	Yes	The 2021 residues surveillance programme was agreed on schedule and sampling commenced at the start of the year.
1.3	Publish summary results on a quarterly basis.	Yes	Summary reports were published on a quarterly basis throughout the year.
2	Complete actions from formal review of R&D processes and report by end Q2.	Yes	Key actions and next steps from the 19/20 research and development review for 20/21 were progressed with the majority completed and others ongoing (for example, those required as and when commissioning R&D projects).
3	Publish summary data including cases handled, internet listings removed, enforcement notices served, and outcomes of successful prosecutions on a quarterly basis.	Yes	The Enforcement Newsletter is published quarterly and is circulated widely to our enforcement stakeholders and partners. The newsletter focusses on particular issues relevant to veterinary medicines. As well as giving a summary of cases handled and internet listings removed, it also provides a link to enforcement notices published, prosecutions taken and Police Cautions issued.

C) To support the capacity building efforts of international regulatory authorities to ensure high quality veterinary medicines that are used safety and effectively to protect human and animal health and the environment

Why are we doing this?: There is increasing international recognition of the importance of regulation of veterinary medicines driven by a combination of interest in stewardship and appropriate use of antibiotics as well as development of livestock business for low and middle-income countries. UK international action is expected for both cross government 20-year AMR vision and 5-year AMR national action plan and Sustainable Development Goals. The expertise of the VMD to support capacity development is recognised by our designation (together with our partner agencies APHA and Cefas) as a United Nations (UN) Food and Agriculture Organization (FAO) AMR Reference Centre. Non-government funding is available to be accessed.

Key Performance Indicators

Reference	KPI	KPI Met	KPI Update
1	Deliver phase 2 of the Bill & Melinda Gates Foundation (BMFG) project to engage regional and national stakeholders in a regional harmonisation approach to improve medicines regulation in Sub Sahara Africa. Objectives and activities set out in the project initiation document, and or if subsequently mutually amended, are achieved.	Partially Met	The delivery of the BMGF project objectives is on track for all milestones except for stakeholder engagement, which has been delayed due to the impact of Covid-19 on international travel despite mitigation through utilising virtual communication. Accordingly, an amendment to the project timeline is currently under negotiation.
2	Provide at least two on-site training events to international participants.	Yes	On-site training has been undeliverable this year due to Covid-19 restrictions on travel. However, an e-learning programme has been developed as an alternative means of training delivery, which is being trialled with three partner countries. Training events have also been delivered remotely via recorded presentations and live interactive remote sessions.
3	Support the development of regulatory capability and surveillance capacity in 5 lower/middle income countries through the AMR Reference Centre.	Yes	The impact of the Covid-19 required significant reprioritisation of work. With strict travel restrictions and reduced engagement due to the pandemic, the Reference Centre has focussed on providing support from the UK to our partner countries. These include: online training and consultancy to Nigeria's Fleming Fund fellow; testing bacterial isolates from Bangladesh, Ghana, Vietnam and Nigeria at APHA and Cefas's UK laboratories; supporting Kiribati in improving their water quality; and providing follow-up residues advice as needed to the Philippines.

D) Effective customer and stakeholder engagement

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

Key Performance Indicators

Reference	KPI	KPI Met	KPI Update
1.1	90% of feedback forms from Company meetings, open days and visits to the VMD's exhibition stand give the VMD a positive rating.	Yes	No publicity events were attended with our exhibition stand due to the Covid-19 restriction measures in place. Although one event was attended via a virtual booth at the BSAVA congress. The feedback from this was 98% positive. Feedback from the joint VPC/VMD Open Day was 93% positive. The global pandemic and the move to remote, yet electronic ways of working, helped to facilitate company meetings – greater participation was possible including the option to have shorter more focussed meetings. We achieved our objective with the overall median score from feedback surveys for individual VMD company meetings to be at least good for 90% or more. All companies who submitted a return rated the overall advice provided by the VMD as a score of 5 out of 5.
1.2	Fewer than 10 negative feedback comments received on the accuracy and completeness of VMD's GOV.UK material.	Yes	We received 3 notifications requiring corrections on GOV.UK and these were corrected immediately. These were an incorrect date, a link to a withdrawn page and a broken link to the adverse events form.
1.3	At least quarterly liaison with National Office of Animal Health (NOAH) and with other stakeholders in line with the VMDs communications strategy.	Yes	Regular meetings have been held approximately every 2 months between VMD and NOAH. The VMD has held meetings with its British Veterinary Association, Royal College of Veterinary Surgeons and British Equine Veterinary Association Communications counterparts in line with the VMD's delivery of its Communications and Engagement priorities.
2	Access to information requests: at least 95% cases responded to on time.	Yes	We received 51 Access to information requests, all of which were responded to on time.
3	All datasets have been published on GOV.UK and data.gov.uk as expected and for the Product Information	Yes	The datasets were published.

	Database (PID) publications, in accordance with timing as set out in the published standards.		

Business Priority 4 – Capacity and Capability

To ensure funding streams are used efficiently to maintain capability and capacity to deliver business objectives in a sustainable and environmentally friendly way.

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

Key Performance Indicators

Reference	KPI	KPI Met	KPI Update
1.1	Internal Audit opinion to be “moderate” or better.	Yes	Government Internal Audit Agency (GIAA) gave us a Moderate Assurance rating.
1.2	External Audit assurance to report an unqualified opinion.	Yes	The external Auditors reported an unqualified opinion.
2.1	Delivery of 90% of targets set out in the IT strategy.	Yes	90% of prioritised targets delivered. Some highlights include: Delivery of IT services required to support the Northern Ireland Protocol, Electronic application form to support submission of Marketing Authorisation applications, provision of remote working tools and support in response to the pandemic, continued enhancement of VMD Digital services and cloud infrastructure to support future IT delivery, research and design of new Special Imports digital service.
2.2	To achieve at least 95% uptime for VMD’s IT systems	Yes	98% uptime achieved for VMD IT systems.
3	No serious risks on risk register materialise.	Yes	No serious risks on risk register materialised.
4	To maintain business certification against ISO 9001:2015 and ISO	Yes	The Annual Surveillance audit took place in December 2020. Certification was recommended to

	27001:2013 by end of Q3 2020.		be continued for both standards. The VMD's auditors, SGS delayed the audit from September 2020 owing to logistical issues caused by the enhanced precautions required by the response to the Covid-19 pandemic.
5.1	Maintain a top quartile staff engagement score in the 2020 Civil Service People Survey (CSPS).	Yes	Our CSPS engagement index score (the survey's measure of those areas that most shape our experiences at work) is 70% (65% last year). This puts the VMD in a group in 12th place out of 106 organisations and in the top quartile for staff engagement score.
5.2	Training days per Full Time Equivalent (FTE) to be at least 5 days per year.	Yes	Average number of training days completed per FTE during 2020/21 was 6.18.
5.3	Sickness absence – to maintain in 2020/21 the low number of days lost per FTE for short-term sickness and to perform well compared to Defra and wider public sector benchmarks for equivalent periods*.	Yes	Short term sickness absences of 10 days or less dropped from 1.4 days per FTE in 2019/20 to 0.6 days per FTE in 2020/21.
5.4	Leadership training – participate and disseminate learning from the Food Farming and Biosecurity (FFAB) Fix It Together group on leadership.	Yes	The FFaB experienced manager training prepared by the Fix it Together Group was promoted to all senior leaders. This included a wide range of training opportunities and advice on how to reflect and develop individual needs. As a result a number of group training events were attended during the year, such as holding high quality conversations and insights discovery training.

* We are working to reduce the days lost through absences where the causes can be managed by the individual or through reasonable adjustments in line with the Defra Sickness Absence Management Policy. For this indicator we will differentiate and report on the progress made on both short-term incidental absences and those resulting from serious long term diagnosed illnesses and injuries.

Business Priority 5 – Value for Money

Achieve cost recovery and delivery of Value for Money.
Why are we doing this? To ensure that we can demonstrate to all customers how we achieve best value for money. To ensure an appropriate regulatory framework is in place that supports growth whilst providing appropriate safeguards to protect the food chain, human and animal health and the environment. To ensure that the costs of activities that are carried out to support delivery of our international capacity building objectives are adequately financed, outside our policy budget and industry fee structure.

Key Performance Indicators

Reference	KPI	KPI Met	KPI Update
1	Cost recovery for charged for regulatory services to be within the range 100-102% of full cost recovery.	Yes	We recovered all our costs (including a Cost of Capital charge) from the provision of services to industry. Additional analysis of the fees and charges to industry is provided within the Parliamentary Accountability and Audit Report section.
2	To have identified further reductions in regulatory burden.	Yes	Reductions to regulatory burden were identified and will be implemented when we update the veterinary medicines regulations 2013.
3	Ensure that the 2020/21 budget reduction for policy work is met. Assurance from Defra.	Yes	Policy funded work in the VMD was on budget, including the in-year savings requirement being met.
4	Successful applications for at least 2 sources of external funding to support improvements in veterinary medicine regulatory capacity.	Yes	Bill & Melinda Gates Foundation funding secured for Sub Saharan Africa project phase 2. Overseas Development Aid funding was secured for Reference Centre activities and e-learning material development. Galvmed (Agresults) funding secured to deliver training to regulators in member countries of the East African Community on assessment of Foot and Mouth Disease vaccines.

Social and Community Issues and Environmental Matters

Social and community issues

Defra launched its Defra group equality, diversity and inclusion strategy 2020 to 2024 in June 2020 covering the period 2020 to 2024. The aim of the strategy is to ensure Defra group, which includes the VMD, is a great place to work and to deliver our aspirations to be an organisation with a diverse, open and inclusive culture.

The Strategy's 5 themes of: more inclusive cultures; build and sustain representative workforce; making the UK a great place to live for all; improve Equality Diversity and Inclusion capability and confidence; communicate, raise awareness and report progress.

All our staff are required to complete training on:

- responsible for information
- health and safety awareness
- Diversity and inclusion in the civil service

All our assessments of Marketing Authorisations include an environmental impact assessment to ensure that the use and disposal of veterinary medicines do not adversely affect the environment.

Environmental matters: sustainability report for 2020/21

For more information please see Defra's Annual Report and Accounts – section headed: "Commentary on Sustainable Performance", which covers the VMD.

Under the Greening Government Commitments we have a commitment to reduce our greenhouse gas emissions, the amount of waste we generate and our water consumption. Defra's Built Environment Sustainability Team (BEST) provides us with quarterly figures on each of the following categories.

Sustainability Data

Non-Financial Indicators (tonnes CO_2)	**2020/21**	**2019/20**	**2018/19**
Total gross emissions	65.2	164.5	174.5
gross emissions: Scope 1	16.1	74.6	67.9
gross emissions: Scope 2	54.2	75.0	85.3
gross emissions: Scope 3	4.9	14.9	21.3

Indicators	Category	2020/21	2019/20	2018/19
Non-Financial Indicators (tonnes)	Total Waste - incinerated with energy recovery	2.6	8.0	9.8
Related Energy Consumption (1000 KWh)	Electricity: non-renewable	212	293.6	301.2
Related Energy Consumption (1000 KWh)	Gas	27.9	34.9	32.5
Financial Indicators (£'000)	Expenditure on domestic official business travel	0	6.8	7.5
Non-Financial Indicators (m^3)	Water consumption supplied	84.0	705	747
Non-Financial Indicators (m3)	Water consumption per full time equivalent	0.5	4.3	4.9
Mileage ('000)	Total mileage travelled in vehicles owned or leased by VMD	9.8	90.5	130.3

The costs for our energy, water and waste disposal are part of the overall Defra Corporate Recharge costs and are not billed separately. The VMD building is located on a shared site with the APHA in Weybridge and all our waste goes into one system to help incinerate less flammable waste such as animal bedding. The glass and metals are extracted and flash heat treated to ensure biosecurity.

Greening Government Commitment targets and performance

Commitment	2009/10 baseline	2020/21 target	2020/21 Performance
Total gross emissions: to reduce carbon emissions by 38% from the estate and business-related travel	254 tCO2	142.3 tCO2	65.2 tCO^2
Waste: to reduce the amount of waste generated by 25%	43.7 tonnes	32.8 tonnes	2.6 tonnes
Water: an overall reduction in water consumption	1,000 m3	Reduction	84.0 m^3

Commitment	2013 baseline	2020/21 target	2020/21 Performance
Domestic travel: to cut domestic business travel flights by 30%	34 flights*	24 flights⁺	0 flights⁺

* Flight records are not available prior to 2013, therefore this figure is used for our baseline.

⁺ Figures are given as the number of airline journeys.

Greenhouse gas emissions

The main direct impacts for the VMD are in our electricity and gas consumption. Due to the Covid-19 pandemic we have not been operating normally in the office so this year’s usage is unusually low. Normally significant changes to consumption cannot be made without capital investment, for example to introduce more energy efficient heat sources, to reduce solar gain.

Waste

Our main waste is paper and other office related materials. We have produced 92% less waste against the target for 2020/21. Due to the Covid-19 pandemic we have not been operating normally in the office so this year’s waste is unusually low.

Water consumption

We continue to reduce our water use. Our main use is in the toilet facilities, which have ‘water pigs’ in the cisterns. Although we have used less this year due to the office not being normally staffed, in a normal year we cannot do more to reduce toilet facility water usage without capital investment in new hardware. The two showers are already low volume units.

Domestic travel

Due to the Covid-19 pandemic and the resultant restrictions there has been a significant reduction in travel. Meetings moved to online video conferencing and for the majority of the year it was not possible to carry out on-site inspections.

Mileage

During this reporting period we have realised travelling efficiencies and carried out fewer on-site inspections as a consequence of the Covid-19 pandemic, which has resulted in lower vehicle mileage

S. P. Borriello

Professor SP Borriello CB
Chief Executive
12 July 2021

Accountability Report

Corporate Governance Report
Director's Report

Board, Executive Directors and Senior Officials

The VMD employs two Directors in addition to the Chief Executive.

Position	Position holder
Chief Executive	Peter Borriello CB
Director of Authorisations	Abigail Seager
Director of Operations (to 24/11/20)	Paul Green
Chief Operating Officer (from 25/11/20)	Mike Griffiths

The notice period for Executive Directors and senior officials is 3 months.

The composition of the Management Board (including non-executive directors), which provides leadership for directing or controlling the major activities during the year is described within the Governance Statement in this report.

The Board members had no company directorships or other significant interests which conflicted with their management responsibilities in the financial year 2020/21.

Protecting personal data

There were no personal data-related incidents in 2020/21.

Statement of Accounting Officer's Responsibilities

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

The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the VMD and of its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing the Accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) 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 FReM have been followed, and disclose and explain any material departures in the Accounts
- prepare the accounts on the going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

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

Preparation and audit of the Accounts

The Accounts have been prepared under a direction issued on 23 December 2020 by HM Treasury under Section 7(2) of the Government Resources and Accounts Act 2000 and are audited by the Comptroller and Auditor General.

Our income and expenditure was monitored under a gross control total by HM Treasury and was also incorporated into the Defra Resource Accounting total.

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

Governance Statement

The Accounting Officer is responsible for maintaining a system of internal control that supports the achievement of the Agency's policies, aims and objectives, while safeguarding public funds and departmental assets. This is in accordance with the responsibilities assigned in the HM Treasury publication; Managing Public Money.

Assurance and audit findings in this governance statement overall confirm that we have complied with the governance arrangements effectively.

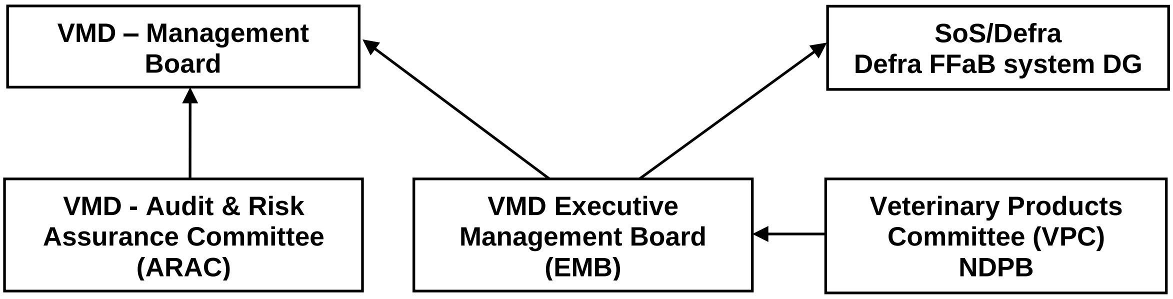
Governance framework
The VMD is an Executive Agency of Defra. We are the UK policy lead on veterinary medicines and, as the national competent authority, are responsible for the implementation of all aspects of the VMD and related legislation.

The Agency is led by the Chief Executive Officer (CEO), who is accountable to the Secretary of State for Defra for our performance and operation and for the achievement of our business priorities in accordance with its targets and key deliverables.

The Secretary of State for Defra determines the overall policy and financial framework within which we operate and the Defra ownership function is exercised by the Defra Director General for Food, Farming and Biosecurity (DG FFaB). The DG FFaB provides advice and challenge on our strategic direction and performance to the VMD management. The CEO formally reports on Agency performance to Defra through the quarterly DG FFaB meetings.

Committee structure

VMD Committee Infrastructure



The VMD Management Board (MB) meets quarterly and is the internal governance board providing advice, support and challenge on; the delivery of the key objectives; achieving value for money, and regularity and propriety in the administration and operation of the VMD. Chaired by a Non-executive Director (NED) Julia Drown, the MB consists of the CEO, the Deputy CEO, the Chief Operating Officer (COO), the Head of Finance, two other NEDs, David Corner and David Catlow and the Defra FFaB system DG. The Chief Veterinary Officer, a Defra representative and selected Heads of Teams, as appropriate and applicable to the tabled agenda, are also invited to attend. Minutes of MB meetings are published on GOV.UK.

The Audit and Risk Assurance Committee (ARAC), a sub-committee of the MB, also meets quarterly and provides advice to the CEO on the adequacy and effectiveness of the VMD's governance and risk management frameworks. Chaired by a NED, David Corner, and consisting of the other two NEDs, the Committee considers reports from a number of senior staff, Defra's internal auditor (the Government Internal Audit Agency; GIAA) and the external auditor (the National Audit Office). Minutes of ARAC meetings are published on GOV.UK.

Executive Management Board (EMB) from 1 April up to 24 November 2020 the EMB comprised of the CEO, Director of Authorisations, the Director of Operations. Following a restructuring in November, the EMB is formed of the CEO, the Deputy CEO (Director of Authorisations), and the Chief Operating Officer (Head of Business Support Division) who collectively form the Executive Team (the Directorate) that sets the direction for the Agency and has the overall authority to run the Agency on a day-to-day basis. The EMB also includes of all Heads of Divisions and Offices and others may be called upon to attend for specific agenda items.

Compliance with the Corporate Governance Code

The focus of HM Treasury's Corporate Governance Code (CGC) is on ministerial departments and sets out the protocol, accountabilities and role of Departmental Boards. We apply the principles of the code, which requires that Boards operate according to recognised precepts of good corporate governance in business:

- leadership
- effectiveness
- accountability
- sustainability

It also requires that arrangements are in place for an annual evaluation of the effectiveness of the Board and for results of the evaluation to be acted upon.

The MB and ARAC assessed their effectiveness and the quality of the management information and performance data at each meeting and found both to be acceptable. A more formal assessment was carried out following their March 2021 meetings whereby Committee members and regular attendees of the Boards completed a questionnaire. The review was very positive for the MB and confirmed that it has a clear understanding of its role, has the correct membership and is operating effectively. For ARAC, it was agreed that it is performing well and has a clear understanding of its assurance role. The results were discussed at the July 2021 meetings and some minor observations will be taken into the next period.

The EMB has formally assessed its compliance with the CGC and its effectiveness as evidenced by the delivery of the 2020/21 targets and key deliverables, and the results of the 2020 annual staff survey. The outcomes of the EMB are reported to staff through the weekly Chief Executive's Newsletter and where appropriate Office Notices. To increase involvement and increase challenge from outside the Executive Team, individual Heads of Team are invited on a rolling basis for a month each to attend and contribute to the meeting.

Conflicts of interest
All VMD staff and Board members are required annually to declare interests which could emerge as a conflict of interest. There is a standing agenda item on declarations of interest at the start of every Board meeting and members who have declared a specific conflict leave the meeting during the discussion of that item. During 2020/21 no Board member conflicts of interest were identified. NED declarations of interest are published on GOV.UK.

The Veterinary Products Committee is an independent scientific advisory committee which advises the VMD on veterinary medicinal products and animal feed additives.

The VPC held meetings in June, October and February. Minutes of meetings and further information is published on GOV.UK. The Committee considered and gave advice to the VMD for 2 applications to change the legal categories of authorised products and for an application for an Animal Test Certificate for a vaccine. It also formed a working group to consider the impact of ectoparasiticides for companion animals on the environment and continued to monitor veterinary pharmacovigilance activities through the reports compiled by the VMD's Pharmacovigilance team. In addition, the Committee held it's virtual open day in November jointly with VMD.

The overall governance structure and associated assurance, as well as advice and challenge, are enriched by the VPC and discussions between the CEO and the Chief Veterinary Officer. We hold external certification to ISO 9001:2015 (Quality Management), which covers all our operational processes. We also hold external certification to ISO 27001:2013 (Information Security Management Systems).

During the year we have worked effectively with GIAA to review:

- Our policies and procedures to deal with equality, diversity and inclusion
- AMR Reference Centre
- Business IT Enhancement (BITE) programme
- Special imports and medicines supply issues

to confirm the VMD's assurance and control framework is fit for purpose.

Civil Service People Survey

Our Civil Service People Survey engagement index score (the survey's measure of those areas that most shape our experience at work) is 70% (65% last year).

Governance and control

Whistleblowing
We are committed to high standards, reinforced by the Civil Service Code, of integrity, honesty and professionalism in all that we do. We encourage all employees to use Defra's Whistleblowing Policy if they need to raise a concern about a past, present or imminent wrongdoing within Defra/VMD; or any wrongdoings which conflict with the Civil Service Code.

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

Audits
In December 2020 our independent auditor (SGS) confirmed the VMD's continuing certification under ISO 9001:2015 (Quality Management) and ISO 27001:2013 (Information Security) following our Surveillance audit. Areas of audit covered were: Reporting of illegal veterinary products/ handling reports of unauthorised products, AMR Surveillance and Residues and legislation/ Policy Development. This represents independent assurance that our systems and processes meet these internationally recognised standards. For ISO 9001:2015 no non-conformities were found; several opportunities for improvement were suggested. For ISO 27001:2013 two minor non-conformities were identified and a small number of opportunities for improvement were recommended. We are addressing the non-conformities. We are considering all the suggested opportunities for improvement from both audits which we are free to accept or reject under the terms of these audits.

Quality Management System
Our Quality Management System (QMS) ensures processes and procedures are documented and managed effectively. Trained VMD auditors, Defra Internal Auditors the National Audit Office (NAO) and SGS each provide us with assurance that processes are being followed and improvements are made on an ongoing basis. Our Quality Management System is certified to ISO 9001:2015.

Business continuity plans
We operate a Business Continuity Management system to ensure the operation of key activities in the event of a serious incident, including our off-site IT back-up systems. As a result of the Covid-19 pandemic we had to implement our Business Continuity Plan and have all staff working remotely which was achieved in 2 days for the vast majority and 7 days for 12 Agency staff who needed Virtual Private Network licences and we reviewed and reissued our Business Continuity Plan in November 2020.

Information management and data security
We have an established governance structure to ensure that information assets are handled appropriately. To support the Information Systems Security Officer, the Agency's IT Security Officer provides a focal point for Information Asset Owners to seek guidance on effective approaches to managing risk. Information data handling courses are embedded in induction processes and each year all staff are required to complete the Responsible for Information training course.

Data security remains critical and is assured by the VMD's maintenance of the Cabinet Office Security Standards and external certification to ISO 27001:2013.

There were no data security lapses that were deemed to be significant or critical during 2020/21.

We continued to be part of a wider Defra Data Protection Network to ensure our implementation of the General Data Protection Regulations (GDPR) reflected the latest thinking and practice. We met regularly to share knowledge as GDPR bedded-in and developed through custom and practice. We have also continued to work with our IT systems' developers to ensure we applied the requirements of GDPR to our new systems.

Managing our risks and significant issues
Our primary role is in the authorisation of veterinary medicines, which is always based on assessing the benefit of medicines against their risks. Consequently, the very nature of our work is to examine risks, to reduce these to an acceptable level, and then to consider the residual risks against the benefits. This philosophy in managing risks is adopted in the approach to risk management across the organisation to identify key risks that could threaten the achievement of the VMD's objectives. This process of risk management was in place for the year and up to the date of approval of the Annual Report and Accounts.

Our Strategic Risk Register and significant issues are regularly reviewed by the EMB, MB and ARAC and updated as necessary. The degree of risk is measured by considering the likelihood and impact of those risks and issues, and in 2020/21 these were:

Covid-19 pandemic

- potential impaired ability to deliver our services
- impacts on VMD's stakeholders and consequent implications for the VMD

Operational

- inadequate business continuity procedures
- inadequate IT services and associated communications
- reduction in funding

Reputational

- reduced confidence in veterinary medicines, food safety and/or the VMD
- risk of litigation
- failure to deliver on newly secured contracts with third sector funders for medicines regulation capability development work

Financial

- EU Exit and potential reduction in revenue
- failure to deliver statutory requirements
- overspending budget
- fraud

Staffing

- failure to attract and retain experienced professional staff for certain skills, particularly in buoyant veterinary medicines and IT sectors where demand for scarce experience and talent is high
- delays in Defra and Government Recruitment Service (GRS) processing candidates

Governance or structural changes

- imposed change to estate and/or other support services

EU Exit and International

- consideration of EU Exit and its impact on the VMD
- international process/regulation changes that adversely impact UK interests including exit from the EU

Delivery by partners

- inability of partner organisations to deliver on our behalf
- decreasing resilience of others to deliver commissioned services
- inability of centralised government services to deliver support needed

Mitigation of risks

All of these were managed appropriately by the VMD through:

- careful workforce and succession planning
- providing first-class learning and development that develops talent within the Agency
- strong management focus on efficiencies
- contract management
- project management
- escalating unresolved business continuity issues with central Defra
- collaboration with central Defra, especially in relation to EU Exit
- ability to respond swiftly to Business Continuity issues – for example Covid-19 and IT enabling the whole Agency to work remotely within one week

The Covid-19 pandemic and its implications have created uncertainty and additional pressures for a full response, including a successful and swift change in working practices by the VMD temporarily moving to full remote working. The most significant impact Covid-19 had was in the inspections side of our work, where it was not possible to do on-site inspections for large periods of the year, however, the risks of this was mitigated by remote reviews. For the remainder of VMD staff its impact was very limited, apart from the move away from office working.

The UK’s exit from the EU continued to be a high risk area for the Agency, in particular, the uncertainty over our new relationship with the EU, for medicines regulation, and the ability to make the most of the opportunities and the impacts of the Northern Ireland Protocol that have arisen following leaving the EU.

Some of the specific actions we implemented and progressed to help control risks included:

- secured funds
- dedicated work force planning
- operational readiness
- working with Defra, Department of Health and the Medicines and Healthcare products Regulatory Agency

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

Internal audit arrangements

The Government Internal Audit Agency has been responsible for providing VMD's internal audit service. Internal auditors carry out their work in line with the Annual Internal Audit Plan that is informed by our risk profile and approved by the ARAC on an annual basis. Internal auditors complete their Internal Audit responsibilities using a methodology that is aligned to Public Sector Internal Audit Standards. Reports are issued making recommendations for improvements where appropriate. These four reports were issued during 2020/21:

- Equality, Inclusivity and Diversity – overall rating "Moderate"
- Antimicrobial Resistance (AMR) Reference Centre – overall rating "Moderate"
- Business IT Enhancement (BITE) programme – overall rating "Substantial"
- Special Imports and Medicines supply issues – overall rating "Substantial"

In their Annual Report, which offers their opinion on the adequacy and effectiveness of risk management, control and governance, the Head of Internal Audit Opinion is one of "Moderate Assurance".

VMD staff who have been trained as auditors have carried out internal Quality Management System (QMS) audits against the ISO 9001:2015 standard of the following processes:

- Induction of new staff
- Maintenance of QMS Competence Records

Whilst no significant internal control problems have been identified during the year, we continually strive to improve our procedures and processes and to manage risk.

Remuneration and Staff Report

Service contracts
The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit, on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made or not.

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

Further information about the work of the Civil Service Commission can be found on the Civil Service Commission website.

Remuneration Policy

The remuneration of the Senior Civil Service (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). The Cabinet Office advises departments in March or April each year of the Government's response to the SSRB recommendations and produces guidance for departments and network bodies to follow.

Defra develops the SCS Reward Strategy within the Cabinet Office Framework, ensuring that the overall pay awards for the SCS are within the cost ceiling allowed.

Members of the SCS, excluding the Permanent Secretary, are eligible to be considered for individual levels of bonus as non-pensionable, non-consolidated variable pay (NCVP), based on their performance. NCVP is paid in the financial year after that in which it was earned. NCVP values, informed by each individual's appraisal grade, are paid within Cabinet Office guidelines.

The COO receives an annual salary paid in accordance with the standard Veterinary Medicines Directorate Staff Pay Agreement negotiated through collective bargaining with recognised trade unions. Their performance is monitored and reviewed through the Performance Management System of the Veterinary Medicines Directorate.

Remuneration – salary, benefits-in-kind and pensions (audited)

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

Single total figure of remuneration to nearest £1000

Officials	Salary		Bonus payments		Pension benefits		Total	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
SP Borriello Chief Executive	120-125	120-125	5-10	0-5	85,000	61,000	215-220	185-190
A Seager Director of Authorisations	70-75	70-75	10-15	5-10	34,000	37,000	115-120	115-120
P Green Director of Operations	40-50	70-75	0-5	-	19,000	29,000	70-75	100-105
M Griffiths Chief Operating Officer	20-25	-	0-5	-	9,000	-	30-35	-

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

(2) P Green left the post of Director of Operations on 24 November 2020. Figures are quoted for the period 01 April 2020 to 24 November 2020. The full year equivalent banding is £75,000 to £80,000. After the restructure in November P Green continued to be paid by the VMD under the Restructuring, redeployment and redundancy policy until he had a new role in Defra.

(3) M Griffiths took up post as Chief Operating Officer from 25 November 2020. Salary figures are quoted for the period from 25 November 2020 to 31 March 2021. The full year equivalent banding is £65,000 to £70,000.

(4) None of the Directors received any benefits-in-kind in 2019/20 or 2020/21.

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses paid in 2020/21 relate to performance in the prior financial year, comparative bonuses for 2019/20 relate to the 2018/19 performance.

Pay multiples (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

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

Total remuneration	Highest paid Director £'000	Median of other staff £	Pay multiple ratio
2020/21	130-135	37,070	3.5
2019/20	120-125	36,168	3.4

In 2020/21, no employees received remuneration in excess of the highest paid Director (2019/20, nil). Remuneration ranged from £20,366, to £131,000 (2019/20: £16,500 to £124,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

There have been no ex-gratia payments or amounts paid during the year in respect of compensation to former senior managers or to third parties for services of a senior manager.

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

No employer contributions were made to partnership pension accounts during 2020/21 or 2019/20 in respect of the VMD's Directors.

Civil service pensions
Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to this, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). Further details about the Civil Service pension features and benefits can be found in the resource accounts of the Cabinet Office: Civil Superannuation, www.civilservicepensionscheme.org.uk.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year and increased annually in line with Pensions Increase legislation.

Other arrangements include money purchase pensions known as a 'partnership' are available as an alternative for employees joining on or after the 1 October 2002. The employer makes an age-related basic contribution of between 8% and 14.75% into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of death in service and ill health retirement lump sum benefits.

The pension figures quoted for officials in this report show combined pension earned in all schemes as appropriate.

Cash equivalent transfer values
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or

arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. These figures also include the value of any pension benefit in another scheme or arrangement which has been transferred to the Civil Service pension arrangements and any additional pension benefit accrued as a result of buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV (audited)

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

Senior Management Pension in £'000

Officials	Accrued pension at pension age as at 31/3/21 and related lump sum	Real increase in pension and related sum at pension age	CETV at 31/3/21	CETV at 31/3/20	Real Increase in CETV
SP Borriello Chief Executive	40-45 plus lump sum of 0	2.5-5.0 plus lump sum of 0	696	626	71
A Seager Director of Authorisations	20-25 plus lump sum of 0	0-2.5 plus lump sum of 0	272	244	15
P Green Director of Operations	25-30 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	572	541	14
M Griffiths Chief Operating Officer	10-15 plus lump sum of 0	0-2.5 plus of lump sum of 0	162	152	4

External Management Board members (audited)

Membership details of the Management Board are detailed in the Governance Statement in this report. The Non-executive members also form the ARAC. The following salaries and benefits-in-kind were paid to the external members:

2020/21	**D Corner**	**J Drown**	**D Catlow**
Salary (as defined above) £000	0-5	0-5	0-5
Benefits-in-kind to nearest £100 (1)	£0	£100	£700
Total £000	**0-5**	**0-5**	**0-5**

2019/20	**D Corner**	**J Drown**	**D Catlow**
Salary (as defined above) £000	0-5	0-5	0-5
Benefits-in-kind (1)	£1,700	£300	£900
Total £000	**0-5**	**0-5**	**0-5**

1. Benefits-in-kind relate to reimbursement of home to office travel and subsistence.

Staff Report

Staff numbers
At 31 March 2021 we employed 167 permanent staff (163.1 FTE) and 14 temporary staff (13.6 FTE) supplied by employment agencies. The average number of full-time equivalent permanent and temporary staff during the year and an analysis of staff-in-post (headcount) as at 31 March 2021 by gender are shown below.

We comply with equal opportunities legislation and departmental policy in relation to disabled employees, and Defra's policies on equal opportunities and health and safety at work.

Staff recruitment
Following a Civil Service Commission (CSC) annual 'Recruitment Compliance' visit in January, the CSC observed excellent compliance with the CSC's Recruitment Code.

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

Staff	Permanently employed staff	Temporary staff	2020/21 Total	2019/20 Total
Scientific	50	4	54	61
Administrative	112	10	122	107
Staff engaged on capital projects	1	-	1	4
Total staff	**163**	**14**	**177**	**172**

The number of staff-in-post (headcount) by gender as at 31 March 2021 was as follows:

Staff	Male	Female	2020/21 Total	Male	Female	2019/20 Total
Directors on the Board	1	1	2	2	1	3
Officials on the Board	1	-	1	-	-	-
SCS grade or equivalent (excluding senior officials on the Board)	1	-	1	-	-	-
Other - Scientific	24	26	50	28	33	61
Other - Administrative	41	72	113	43	61	104
Total staff	**68**	**99**	**167**	**73**	**95**	**168**

Early departure costs (audited)

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure or earlier where a demonstrable commitment exists.

For all staff, there were no early departures in 2020/21 (2019/20: nil).

For all staff, there were no compulsory exits in 2020/21 (2019/20: nil).

Staff costs (audited) in £'000

Staff costs consist of the following:	Permanently employed staff	Temporary staff	2020/21 Total	2019/20 Total
Wages and salaries	7,288	734	8,022	7,349
Social security costs	783	-	783	711
Other pension costs	1,896	-	1,896	1,761
Gross total staff costs	**9,967**	**734**	**10,701**	**9,821**
Less amounts charged to capital projects	(72)	-	(72)	(256)
Sub-total as reported in the Statement of Comprehensive Net expenditure	**9,895**	**734**	**10,629**	**9,565**
Less recoveries in respect of outward secondments	(215)	-	(215)	(239)
Net total staff costs	**9,680**	**734**	**10,414**	**9,326**

Pensions

Pension benefits provided through the Civil Service pension arrangements are unfunded multi-employer defined benefit scheme and we are unable to identify our share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation, www.civilservicepensionscheme.org.uk.

For 2020/21, employers' contributions of £1,834,551 were payable to the PCSPS (2019/20: £1,731,072) at one of four rates in the range 26.6% to 30.3% (2019/20: 26.6% to 30.3%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020/21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £26,668 (2019/20: £26,969) were paid to one or more of the panel of three appointed stakeholder pension providers.

In addition, employer contributions of £811, 0.5% of pensionable pay (2019/20: £823) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £2,135 (2019/20: £2,371). Contributions prepaid at that date were nil.

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

Sickness absence data

The total full-time equivalent days lost through staff sickness absence in the year was 372 compared to 493 in 2019/20. The average working days lost per employee during the year was 2.3 compared to 3.1 in 2019/20.

Short term sickness absences of 10 days or less dropped from 1.4 days per FTE in 2019/20 to 0.6 days per FTE in 2020/21.

Tax arrangements of public sector appointees
As part of HM Treasury's review of tax arrangements of public sector appointees, departments and their arms-length bodies are required to publish information in relation to the number of off payroll engagements costing over £245 per day that were in place as at 31 March 2020.

Number of existing engagements as of 31 March 2021	41
Of which:	
Number that have existed for less than one year at time of reporting	17
Number that have existed for between one and two years at time of reporting	17
Number that have existed for between two and three years at time of reporting	6
Number that have existed for between three and four years at time of reporting	1
Number that have existed for four or more years at time of reporting	-

The majority of our contractors are engaged in developing new UK veterinary authorisation platforms to replace the EU platforms we lost access to post transition. Once operational we expect system maintenance to be carried out in-house and demand on IT contractors should reduce accordingly.

For all off-payroll appointments engaged at any point during the year ended 31 March and earning at least £245 per day.

Number of appointments in force during the time period	51
Of which:	
Number determined as in-scope of IR35	5
Number determined as out-of-scope of IR35	46
Number of engagements reassessed for compliance or assurance purposes during the year	41
Number of engagements that saw a change to IR35 status following the review	-
Number of engagements where the status was disputed under provisions in the off-payroll legislation	-
Number of engagements that saw a change to IR35 status following review	-

Off-payroll engagements of Board members and/or senior officials with significant financial responsibility between 1 April 2020 and 31 March 2021.

Number of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility	nil
Total number of individuals on-payroll and off-payroll that have been deemed “board members, and/or senior officials with significant financial responsibility”	Board members/senior officials x 4 (1 CEO, 2 Directors, 1 senior official) Non-Executive Directors x 3

Consultancy and temporary staff expenditure

£'000	2020/21	2019/20
Consultancy expenditure	3,464	1,448
Temporary staff expenditure	734	618
Total	**4,198**	**2,066**

Additional specialised skills have been required to support plans for EU Exit. Consultants are engaged when it is better value for money to do so on specific programme work and when specialised skills are required. Expenditure on temporary staff has provided additional resources to meet short term needs to support priority projects and cover for the backlog in filling vacancies.

Employee involvement

We encourage staff involvement in our activities through a variety of channels including: a VMD intranet; topic meetings; day-to-day line management contacts; diverse membership of project teams, and regular meetings reviewing progress against the Business Plan and risk. Office Notices and the intranet are used to disseminate information. An annual staff meeting to review the work of the past year and expected key future issues is presented by the CEO. We work with Defra on wellbeing activities and staff have access to both occupational health and employee assistance services. Trade Union membership and representation is in accordance with Defra's policies.

The VMD was re-accredited to the Investors in People Silver standard in July 2018.

Health and safety

Due to mainly low risk activities and the size of the organisation we continue to use the policies and advice services from Defra's Safety, Health and Wellbeing team. No work-related incidents were reported by employees during 2020/21.

Parliamentary Accountability and Audit Report (Audited)

Regularity of expenditure
We have considered all our activities during the year and confirm that they are in accordance with the legislation authorising them.

Sources of funding and associated costs - reconciliation to the Statement of Comprehensive Net Expenditure

Sources of funding and associated costs £'000	Income	Expenditure	Net Income or Defra Funding
Industry Fees and Charges			
Veterinary pharmaceutical industry	5,983	5,983	-
Food Industry	3,675	3,675	-
Sub-total – industry fees and charges	**9,658**	**9,658**	**-**
Other external income			
International	523	523	-
Recovery of costs for secondments out	215	215	-
Other income	20	20	-
Sub-total – other external income	**758**	**758**	**-**
Government funded activities			
Services for government	213	4,304	(4,091)
Research and development	-	1,210	(1,210)
Trade and transition	-	7,555	(7,555)
Government secure freight contract		1,484	(1,484)
Food industry residues in honey	-	41	(41)
Defra budget funding requirement	**213**	**14,594**	**(14,381)**
Less cost of capital charge	-	(335)	335
Statement of Comprehensive Net Expenditure	**10,629**	**24,675**	**(14,046)**

(1) Services for Government include: Policy; enforcement; AMR programmes.

(2) A grant from the Fleming Fund (£121,000); an EU grant (£15,000); and a contribution from the devolved administrations (£77,000) has been received in 2020/21, contributing to the cost of the AMR programme.

(3) The VMD is a Gross Controlled Agency which means the VMD receives an allocated expenditure budget for Defra work not funded by industry.

(4) The VMD is required to include a notional cost of capital charge in the calculation of fees and charges. In line with HM Treasury guidance, this figure is excluded from the results presented in the Financial Statements.

Fees and charges

Our fees and charges are set in statute. Our objective for charging is to ensure that we recover our costs for delivering the service. In assessing performance against this target a notional cost of capital charge is recorded in addition to the costs included in the Statement of Comprehensive Net Expenditure. The table below sets out the amount of income we have received and associated costs for the different areas of service which we provide to industry.

2020/21	Income £'000	Cost £'000	Net Income £'000	Cost Recovery %
Veterinary pharmaceutical industry	**5,983**	**5,983**	**-**	**100**
Food industry	**3,675**	**3,675**	**-**	**100**
Total	**9,658**	**9,658**	**-**	**100**

2019/20	Income £'000	Cost £'000	Net Income £'000	Cost Recovery %
Veterinary pharmaceutical industry	**6,466**	**6,466**	**-**	**100**
Food industry	**3,798**	**3,798**	**-**	**100**
Total	**10,264**	**10,264**	**-**	**100**

Losses and special payments

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

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

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

Contingent liabilities

There were no contingent liabilities as at 31 March 2021 (31 March 2020: nil).

Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the Agency discloses, for parliamentary reporting and accountability purposes, liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. As at 31 March 2021 there are nil to report (31 March 2020: there was one remote contingent liability concerning a potential legal case against the VMD that was settled).

S. P. Borriello

Professor SP Borriello CB
Chief Executive
12 July 2021

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements
I have audited the financial statements of the Veterinary Medicines Directorate (VMD) for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the VMD's affairs as at 31 March 2021 and of the VMD's net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

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

Basis for opinions
I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the VMD in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern
In auditing the financial statements, I have concluded that the VMD's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the VMD's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the VMD is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the VMD and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

Responsibilities of the Accounting Officer for the financial statements
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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the VMD's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by the VMD will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements
My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the VMD's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the VMD's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the VMD's controls relating to the Government Resources and Accounts Act 2000 and Managing Public Money
- discussing among the engagement team and involving relevant internal and or external specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and
- obtaining an understanding of the VMD's framework of authority as well as other legal and regulatory frameworks that the VMD operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the VMD. The key laws and regulations I

considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, Employment Law, Tax legislation and pensions legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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

Report
I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 14 July 2021

Financial Statements

Statement of Comprehensive Net Expenditure
for the year ending 31 March 2021

Comprehensive Net Expenditure £'000	Note	2020/21	2019/20
Revenue from contracts with customers	2	10,181	10,531
Other operating income	2	448	707
Total operating income		**10,629**	**11,238**
Staff costs	3	(10,629)	(9,565)
Purchase of services	4	(7,737)	(5,722)
Non-cash costs	4	(1,497)	(2,526)
Other operating expenditure	4	(4,812)	(3,017)
Total operating expenditure		**(24,675)**	**(20,830)**
Net operating expenditure		**(14,046)**	**(9,592)**
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
Net gain/(loss) on revaluation of property, plant and equipment		65	(78)
Comprehensive net expenditure for the year ending 31 March 2021		**(13,981)**	**(9,670)**

All income and expenditure is derived from continuing operations.

The notes on pages 48-60 form part of these accounts.

Statement of Financial Position
as at 31 March 2021

Financial Position £'000	Note	2020/21	2019/20
Non-current assets			
Property, plant and equipment	5	5,891	6,180
Intangible assets	6	6,410	4,935
Total non-current assets		**12,301**	**11,115**
Current assets			
Trade and other receivables, contract assets	7	3,705	2,500
Cash and cash equivalents	8	1,893	3,891
Total current assets		**5,598**	**6,391**
Total assets		**17,899**	**17,506**
Current liabilities			
Trade and other payables, contract liabilities	9	(5,403)	(3,622)
Total current liabilities		**(5,403)**	**(3,622)**
Total assets less current liabilities		**12,496**	**13,884**
Non-current liabilities	9	(135)	(133)
Total assets less total liabilities		**12,361**	**13,751**
Taxpayers' equity and other reserves			
General fund		6,824	8,279
Revaluation reserve		5,537	5,472
Total equity		**12,361**	**13,751**

The notes on pages 48-60 form part of these accounts.

S. P. Borriello

Professor SP Borriello CB
Chief Executive and Agency Accounting Officer
12 July 2021

Statement of Cash Flows
for the year ended 31 March 2021

Cash Flows £'000	Note	2020/21	2019/20
Cash flows from operating activities			
Net operating expenditure		(14,046)	(9,592)
Adjustments for non-cash transactions arising in the year	4	1,497	2,526
(Increase)/decrease in trade and other receivables	7	(1,205)	2,696
Increase/(decrease) in trade and other payables	9	1,783	(74)
less movement in trade payables relating to items not passing through the Statement of comprehensive net expenditure		-	2
Net cash inflow from operating activities		**(11,971)**	**(4,442)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	-	(175)
Purchase of intangible assets	6	(1,927)	(2,699)
Net cash outflow from investing activities		**(1,927)**	**(2,874)**
Cash flows from financing activities			
Supply current year		11,900	9,300
Net financing		**11,900**	**9,300**
Net (decrease)/increase in cash and cash equivalents		**(1,998)**	**1,984**
Cash at the beginning of the year	8	**3,891**	**1,907**
Cash at the end of the year	8	**1,893**	**3,891**

The notes on pages 48-60 form part of these accounts.

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2021

Changes in Taxpayers' Equity £'000	Note	General Fund	Revaluation Reserve	Total Reserves
Balance at 1 April 2019		**4,292**	**5,550**	**9,842**
Changes in taxpayers' equity for 2019/20				
Net Parliamentary Funding		9,300	-	9,300
Comprehensive net expenditure for the year		(9,592)	-	(9,592)
Non-cash adjustments				
Defra Digital, Data and Technology Services	4	1,202	-	1,202
Defra corporate services recharges	4	551	-	551
Defra Investigation Services	4	115	-	115
Auditors' remuneration	4	45	-	45
Movements in Reserves				
Net gain on revaluation of property, plant and equipment	5	-	(78)	(78)
Internally generated software transfers in	6	2,366	-	2,366
Total recognised income and expense for 2019/20		**3,987**	**(78)**	**3,909**
Balance at 31 March 2020		**8,279**	**5,472**	**13,751**
Changes in taxpayers' equity for 2020/21				
Net Parliamentary Funding		11,900	-	11,900
Comprehensive net expenditure for the year		(14,046)	-	(14,046)
Non-cash adjustments				
Defra corporate services recharges	4	527	-	527
Defra Investigation Services	4	118	-	118
Auditors' remuneration	4	46	-	46
Movements in Reserves				
Net gain on revaluation of property, plant and equipment	5	-	65	65
Total recognised income and expense for 2020/21		**(1,455)**	**65**	**(1,390)**
Balance at 31 March 2021		**6,824**	**5,537**	**12,361**

The notes on pages 48-60 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2020/21 Government Financial Reporting Manual (FReM) and the Accounts Direction issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the VMD, for the purpose of giving a true and fair view has been selected. The particular policies adopted by the VMD are described below. They been applied consistently in dealing with items which are considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Significant Judgements and Estimation Uncertainty

In the preparation of financial statements VMD is required to make estimates and assumptions that affect the amounts reported of assets and liabilities, the disclosure 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 forecast of future events.

In the process of applying the accounting policies VMD has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Contract Liabilities: The Agency is responsible for managing the progress of, and income earned from, scientific assessments. Individual assessments may span across more than one financial year and the preparation of the financial statements requires the Agency to determine, based on an evaluation of the terms and conditions of the arrangements, that it fully and accurately reflects the completeness of any contract liabilities in this regard by reference to the stage of completion of any ongoing assessments. (The revenue measurement model is reported in Note 2).

Land and Buildings: Due to the VMD property being located on and interlinked with the Weybridge Estate laboratory complex, the land and building asset valuation is based on this being a ‘specialised building’ using the Depreciated Replacement Cost valuation method according to the RICS guidance, as there is no active market for VMD property or interlinking Weybridge Estate. See note 1.3 below.

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

1.3 Property, plant and equipment and Intangible assets

Freehold Land and Buildings

Land and Buildings are subject to professional valuation at no more than five yearly intervals. These are carried out by professionally qualified independent valuers, who adhere to the principles outlined in the Royal Institute of Chartered Surveyors (RICS) Red Book. The last professional valuation was completed in March 2020 with a valuation date of 31 March 2020. These assets are stated at fair value, which is valued at Depreciated Replacement Cost applying to specialist buildings. Depreciated Replacement Cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation". Between professional valuations, annual desk top revaluations are conducted, which have regard for prevailing local and national conditions.

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

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

Intangible assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. These comprise software licences and internally developed software, including assets under construction.

The Agency holds various software licences, which were capitalised at purchase cost where this exceeded capitalisation thresholds. Such assets are only revalued where it is possible to obtain a reliable estimate of their market value.

Internally developed computer software includes capitalisation of internal IT employee costs on projects. The Agency does not hold any intangible assets with an indefinite useful life. The capitalisation threshold is generally £10,000. When fully operational in the business, internally developed computer software is stated at the depreciated purchase cost.

Depreciation and amortisation

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

Asset lives are normally within the following ranges:

Freehold land	Not depreciated
Freehold buildings	36 years (residual life)
Furniture, fittings and office equipment	15 years
IT Hardware	5 years
IT Software development and licences	5-10 years

Impairment
Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount. An impairment review is carried out on an annual basis.

Any permanent diminution in the value of an asset due to clear consumption of economic benefit or service potential is recognised in full as an impairment loss in the SoCNE. An amount up to the value of the impairment is transferred from the revaluation reserve (to the extent that a balance exists) to the General Fund for the individual asset concerned.

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

Assets under construction
Assets under construction are shown at the accumulated cost with the depreciation commencing when the asset is completed and brought into service.

1.4 Research and development

Expenditure on R&D is treated as an operating cost in the year in which it is incurred and taken to the SoCNE.

1.5 Operating income

As a Gross Accounting Agency, activity for Defra is not invoiced or reported as income, but an authority to spend is delegated to the VMD along with deliverable objectives. The Net Parliamentary Funding is recorded as a movement in Taxpayers' Equity.

1.6 Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers was applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 2018-19. IFRS 15 introduces a new five stage model for the recognition of revenue from contracts with customers replacing the previous IAS 18 Revenue. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of services to customers in a way that reflects the consideration to which the entity expects to be entitled to in exchange for services.

A contract asset – is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

Revenue from contracts with customers comprises fees and charges for services provided to industry or contractually entitled income for services provided to market customers. This revenue is measured based on the consideration specified in a contract with a customer. The Agency recognises revenue from contracts with customers in accordance with the five-stage model set out in IFRS 15.

Details of Agency's main performance obligations, how and when they are satisfied, and the determination of transaction prices, is detailed in Note 2.

1.7 Pensions

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

Although the PCSPS and the CSOPS, known as alpha, are unfunded defined benefit schemes, in accordance with explicit requirements in the FReM, the VMD account for the schemes as if they were defined contribution plans. Costs of the elements are recognised on a systematic and rational basis over the period during which it benefits from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. The PCSPS and alpha pension schemes undergo a reassessment of the contribution rates by the Government Actuary at four-yearly intervals. In respect of defined contribution schemes, the VMD recognises the contributions payable for the year.

1.8 Defra notional service recharges

Notional costs are amounts charged against the SoCNE by virtue of an interdepartmental non-cash adjustment via the General Fund, with Core Defra recording the associated credit. Defra corporate services recharges comprises Defra legal, human resources, estates, investigation and enforcement services.

1.9 Value Added Tax (VAT)

Most of the VMD's activities are outside the scope of VAT and, in general, output tax does not apply. Input VAT can be recovered on certain contracted-out services. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.10 Apprenticeship Levy

The Apprenticeship Levy was introduced in April 2017, requiring employers with a pay bill of over £3 million each year to pay the levy. The expense element of the apprenticeship levy is recorded against social security costs, within the staff costs note. If bodies utilise the levy for training expense, a notional charge is recognised. The corresponding credit element is recorded against grant income. Amounts are recognised on an accruals basis.

1.11 Financial instruments

VMD holds few financial instruments. Financial assets comprise of receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently held at amortised cost after an appropriate provision for expected credit loss. Financial liabilities comprise trade and other payables, and other financial liabilities. They are initially recognised at the fair value of consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost.

1.12 Cash and Cash Equivalents
Cash and cash equivalents comprise cash in hand and current balances with banks.

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

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

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

1.16 Impending application of newly issued standards not yet effective
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. Those with relevance to the Agency are outlined below. The Agency has not adopted any new IFRS standards early.

HM Treasury have agreed implementation of IFRS 16 'Leases' will be deferred for central government and will be generally effective from 1 April 2022. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a right of use ('ROU') asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as under IAS 17. The Agency expects to adopt the standard using a modified retrospective approach where the cumulative effect of initially applying it is recognised as an adjustment to the opening balance of retained earnings and comparatives are not restated.

The Agency will apply this standard upon formal adoption in the FReM. It is not anticipated that material adjustments to the financial statements will be required following the introduction of the standard.

2. Operating income

£'000	2020/21	2019/20
Revenue from contracts with customers		
Veterinary pharmaceutical industry:		
Authorisations	2,097	2,372
Graded annual and fixed fees	3,130	3,026
Inspections	756	1,068
Food industry	3,675	3,798
International	523	267
Other Income		
Government: Devolved Administrations (1)	77	88
Government: EU Grant (1)	15	61
Government: AMR Reference Centre (1)	121	310
Recoveries in respect of outward secondments	215	239
Other recovery of costs (2)	20	9
Total operating income	**10,629**	**11,238**

(1) Income for work undertaken for Government comprise of contributions from the devolved administrations, receipt of EU grant to support the AMR surveillance programme and income from the Fleming Fund to support the development of the AMR reference centre.
(2) Other recovery of costs relates to income for advisory services, dossier copying and training delivered by VMD

Transaction price to remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are (partially) unsatisfied at the reporting date:

Business Area £'000	2021/22	2022/23	Total
Authorisations	681	135	816
Inspections	144	-	144
International	377	-	377
Total	**1,203**	**135**	**1,337**

As at 31 March 2021, the aggregate amount of the transaction price allocated to the remaining performance obligation is £1.337 million (31 March 2020: £1.353 million) and the entity will recognise this revenue as contracts are progressed to completion, which is expected to occur over the next 12 to18 months.

£'000	2020/21	2019/20
Contract Asset	962	957
Contract Liabilities	1,337	1,353

Revenue recognised in the period from amounts recognised in the contract liability at the beginning of the period.

Business Area £'000	2020/21	2019/20
Authorisations	554	833
Inspections	147	147
International	121	274

The VMD's major type of income streams are detailed in the table below:

Contract Type	Categories of performance obligation	Basis of income recognition	Amount £'000
Application for a Marketing Authorisation	Assessment of application to market a veterinary medicines product	Invoiced on validation of an application. Income deferred and recognised on basis of the level of completion of an assessment to the date when the application is determined	1,857
Graded annual and fixed fees for a Marketing Authorisation	Provision of services as the competent authority, including post authorisation surveillance/pharmacovigilance	Charge based on cost recovery for the financial year. Invoiced in last quarter of each financial year	3,053
Inspections	Inspection of manufacturers, wholesaler dealers, retailers of veterinary medicines and feed businesses	Invoiced upon completion of the inspection report	322
Inspections annual fees	Licencing and maintenance of the register of manufacturers, wholesaler dealers, retailers of veterinary medicines and feed businesses	Income recognised over a year. Accrued for any non-invoiced element or deferred proportionate to the number of months before the next renewal date	426
Food Industry fees	Provision of the Statutory Residues Surveillance Programme	Charge based on cost recovery for the financial year. Invoiced quarterly or bi-annually or accrued for any non-invoiced elements	3,675
International Projects	Set out in individual contracts for services and/or provision of training	At agreed milestones, or if, as is generally the case, contract stipulates that money spent up to a specific date can be recovered from the customer prior to completion of the project	523

3. Staff costs

Staff costs consist of the following: £'000	**Permanently employed staff**	**Temporary staff**	**2020/21 Total**	**2019/20 Total**
Wages and salaries	7,288	734	8,022	7,349
Social security costs	783	-	783	711
Other pension costs	1,896	-	1,896	1,761
Gross total staff costs	**9,967**	**734**	**10,701**	**9,821**
Less amounts charged to capital projects	(72)	-	(72)	(256)
Sub-total as reported in the Statement of Comprehensive Net expenditure	**9,895**	**734**	**10,629**	**9,565**
Less recoveries in respect of outward secondments	(215)	-	(215)	(239)
Net total staff costs	**9,680**	**734**	**10,414**	**9,326**

Included in the permanently employed staff costs is an accrual for untaken annual leave of £393,000, (2019/20: £252,000). The increase in leave accrued at the end of year is due to Covid-19 restrictions on travel in the UK and overseas.

4. Other non-staff operating expenditure

£’000	2020/21	2019/20
Purchase of services		
Statutory Residues Surveillance	3,356	3,385
Research and Development Programme	1,140	1,222
Government Secure Freight	1,484	-
Distance Learning Portal	101	-
Antimicrobial Resistance Programme and Surveillance	541	568
Antimicrobial Resistance Reference Centre	1,060	495
Other direct sub-contracted services	55	52
Sub-total purchase of services	**7,737**	**5,722**
Non-cash items		
Depreciation of property, plant and equipment **(Note 5)**	354	343
Amortisation of intangible assets **(Note 6)**	452	269
Loss on disposal of non-current assets **(Note 5&6)**	-	1
Defra service recharges:		
Digital, Data and Technology Services	-	1,202
Estates maintenance	350	349
Human resources	101	110
Defra Investigation Services	118	115
Legal services	76	92
Auditors' remuneration	46	45
Sub-total non-cash items	**1,497**	**2,526**
Other operational expenditure		
Professional, programme and technical fees	3,464	1,448
IT systems maintenance	958	494
Travel and subsistence	(38)	398
Training	87	80
Staff related costs	65	45
Communications	89	108
Office related goods and services	128	191
Operating leases	30	37
Internal Audit	36	38
Stationery and publications	33	35
Independent expert committees	13	23
Customer relations and publicity	(5)	24
Movement on provision for expected credit loss	(57)	81
Other costs	9	15
Sub-total other operating expenditure	**4,812**	**3,017**
Total non-staff operating expenditure	**14,046**	**11,265**

The net income for Travel and Subsistence (£38k) includes reimbursements for cancelled overseas travel. Customer relations and publicity (£5k) includes refunds or prepayments held on account for rescheduled events, both due to the COVID-19 scenario.

No remuneration was paid to the external auditors (National Audit Office) in respect of non-audit work.

5. Property, plant and equipment

£000	Land	Buildings	Information Technology	Furniture & Fittings	Total
Cost or Valuation					
At 1 April 2020	316	5,613	675	335	6,939
Additions	-	-	-	-	-
Disposals	-	-	-	(15)	(15)
Revaluation	-	(251)	17	3	(231)
At 31 March 2021	**316**	**5,362**	**692**	**323**	**6,693**
Depreciation					
At 1 April 2020	-	-	(536)	(223)	(759)
Charged in year	-	(312)	(31)	(11)	(354)
Disposals	-	-	-	15	15
Revaluation	-	312	(14)	(2)	296
At 31 March 2021	**-**	**-**	**(581)**	**(221)**	**(802)**
Carrying Value					
At 31 March 2021	**316**	**5,362**	**111**	**102**	**5,891**
Cost or Valuation					
At 1 April 2019	316	5,996	772	252	7,336
Additions	-	-	65	110	175
Disposals	-	-	(167)	(24)	(191)
Revaluation	-	(383)	5	(3)	(381)
At 31 March 2020	**316**	**5,613**	**675**	**335**	**6,939**
Depreciation					
At 1 April 2019	-	-	(668)	(241)	(909)
Charged in year	-	(306)	(31)	(6)	(343)
Disposals	-	-	167	23	190
Revaluation	-	306	(4)	1	303
At 31 March 2020	**-**	**-**	**(536)**	**(223)**	**(759)**
Carrying Value					
At 31 March 2020	**316**	**5,613**	**139**	**112**	**6,180**
Carrying Value					
At 31 March 2019	316	5,996	104	11	6,427

The Land and Buildings were valued at 31 March 2021 by an independent valuer (Montague Evans) in accordance with the guidance issued by the Royal Institution of Chartered Surveyors. This resulted in Land and Buildings being revalued at £5.678m, a net decrease of £0.251m from the valuation at 31 March 2020.

This revaluation was carried out using the depreciated replacement cost method, taking into account the expected construction costs to rebuild equivalent assets. This review also considers the remaining economic life of the buildings. All of VMD’s assets are owned and none are held under finance leases.

6. Intangible assets

£'000	Internally Generated Software (IGS)	IGS - Assets Under Construction	IT Software and licences	Total
Cost or valuation:				
At 1 April 2020	2,366	2,634	841	5,841
Additions	1,572	298	57	1,927
Reclassification	2,357	(2,357)	-	-
Disposals	-	-	(276)	(276)
At 31 March 2021	**6,295**	**575**	**622**	**7,492**
Amortisation:				
At 1 April 2020	(237)	-	(669)	(906)
Charged in year	(417)	-	(35)	(452)
Disposals	-	-	276	276
At 31 March 2021	**(654)**	**-**	**(428)**	**(1,082)**
Carrying value				
At 31 March 2021	**5,641**	**575**	**194**	**6,410**
Cost or valuation:				
At 1 April 2019	-	-	778	778
Additions	-	2,634	63	2,697
Transfers in	2,366	-	-	2,366
Disposals	-	-	-	-
At 31 March 2020	**2,366**	**2,634**	**841**	**5,841**
Amortisation:				
At 1 April 2019	-	-	(637)	(637)
Charged in year	(237)	-	(32)	(269)
Disposals	-	-	-	-
At 31 March 2020	**(237)**	**-**	**(669)**	**(906)**
Carrying value				
At 31 March 2020	**2,129**	**2,634**	**172**	**4,935**
At 31 March 2019	-	-	141	141

The net book value for internally generated software includes IT solutions developed to replace EU systems that have ceased to be available upon leaving the EU. These include: Registration and Login £0.602m; Licencing £1.230m; Adverse Event Reporting £2.201m; Service Hub £0.641m; Secure Messaging £0.388m; Cloud Infrastructure £0.579m.

The Adverse Event Reporting system was brought into use in April 2019 and has a remaining amortisation period of eight years. The other systems were brought into use in September 2020, £2.357m being reclassified from IGS assets under construction to IGS in-use, these systems have a remaining amortisation period of nine years. The IGS Special Imports system £0.575m and purchased software and development costs for expenses@work system £0.098m are under construction as at the year-end date.

Cash additions (adjusted for capital accruals) shown in the SoCF amount to £1,927,000 (2019/20 £2,699,000).

7. Trade receivables and other current assets

Amounts falling due within one year £'000	31 March 2021	31 March 2020
Trade receivables	1,953	1,059
Other receivables	17	18
VAT recoverable	431	270
Prepayments	342	196
Contract Assets	962	957
Total trade receivables and other current assets	**3,705**	**2,500**

Trade receivables are shown net of a provision of £39,000 (2019/20: £128,500) for expected credit loss. The provision is calculated according to the age and status of the debt and recent sector-specific debt-recovery information, including the estimated impacts arising from Covid-19 and industry's ability to pay fees and charges due.

8. Cash and cash equivalents

£'000	2020/21	2019/20
Balance at 1 April	3,891	1,907
Net change in cash and cash equivalents	(1,998)	1,984
Balance at 31 March	**1,893**	**3,891**

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

9. Trade payables and other current liabilities

£'000	31 March 2021	31 March 2020
Amounts falling due within one year:		
Trade payables	2	4
Other taxation and social security	211	218
Accruals	3,988	2,180
Contract liabilities	1,202	1,220
Total trade payables and other current liabilities	**5,403**	**3,622**
Amounts falling due after more than one year:		
Contract liabilities	135	133
Total trade payables and other liabilities	**5,538**	**3,755**

At the year end the VMD had contract liabilities (£135,000) falling due after more than one year (2019/20: £133,000).

10. Capital commitments

There were no contracted capital commitments at 31 March 2021 (31 March 2020: nil).

11. Commitments under operating leases

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

Contract hire cars £'000	2020/21	2019/20
Not later than one year	32	33
Later than one year not later than five years	15	47
Total	**47**	**80**

12. Other financial commitments

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

Other financial commitments £'000	2020/21	2019/20
Not later than one year	206	187
Later than one year but not later than five years	414	562
Later than five years but not later than ten years	-	-
Total	**620**	**749**

13. Related party transactions

As the VMD is an Executive Agency of Defra, Defra is regarded as a related party. During the year, the VMD has had significant transactions with Defra and several of its agencies, including the Animal and Plant Health Agency and Centre for Environment, Fisheries & Aquaculture Science.

The VMD has transacted with various other central government bodies. Most of these transactions have been with the Department for Transport, Medicines and Healthcare products Regulatory Agency, Food Standards Agency and The Scottish Government.

The CEO and one of the non-Executive Directors are also Trustees of the SMArt (Safe Medicines for Animals through regulatory training) Charity Board which for the 2020/21 financial year had no trading activity.

None of the Board members or key managerial staff have undertaken any material transactions with the VMD during the year other than salaries and reimbursement for travel and subsistence in the normal course of business.

14. Financial instruments

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

15. Events after the reporting period

The VMD's financial statements are laid before the House of Parliament by the Secretary of State for Defra. In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Up to the date of issue, there have been no other events since 31 March 2021 that would have a significant impact on the Annual Report and Accounts or would be likely to have a significant impact on the future performance of the VMD. However, the continued implications of the Covid-19 pandemic will have an impact on the VMD and the way we work. This is having greatest impact on the inspections regime, where for most of 2020/21 the on-site visits remained postponed, these re-started in the later part of the year and continue into 2021/22. The VMD conducted a limited number of desktop assessments. The VMD has transitioned successfully to full remote working and continues to find ways to make this change as effective and efficient as possible.

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