Veterinary
Medicines
Directorate

Veterinary Medicines Directorate
Annual Report & Accounts

2022/23

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

HC 1843

Veterinary Medicines Directorate

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

Annual Report and Accounts 2022/23

Presented to the House of Commons pursuant to Section 7(3)(c) of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed 19 October 2023

HC 1843

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at postmaster@vmd.gov.uk.

ISBN 978-1-5286-4398-6

E02914636 10/23

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd on behalf of the Controller of His Majesty's Stationery Office.

Contents

Performance Report

Chief Executive's Statement

The Veterinary Medicines Directorate (VMD) is the policy lead body and regulator of all aspects of veterinary medicines in the UK. Our aim is to protect public health, animal health and the environment and promote animal welfare by assuring the safety, quality and effectiveness of veterinary medicines.

Our vision is to be recognised worldwide as a centre of excellence for the provision of regulatory services and expertise for availability of safe and effective veterinary medicines.

Through the end-to-end regulatory oversight of inspecting, authorising, monitoring and enforcing we ensure that only veterinary medicines that are of the required safety, efficacy and quality are used in the UK 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 also lead activity across government on antimicrobial resistance (AMR) in animal health.

Although resources presented a challenge throughout 2022-23, with effective management and prioritisation we maintained delivery against the business plan to an excellent standard and within the budget.

Highlights of the year include:

- launching the public consultation for the review of the Veterinary Medicines Regulations
- the establishment of the pan-industry group Controlling ANTiparasitic resistance in Equines Responsibly (CANTER)
- signing a Memorandum of Understanding with another global regulator – Swissmedic based in Switzerland
- contributing to development of the Food and Agriculture Organization of the United Nations (UN FAO) pre-qualification scheme for Foot and Mouth Disease vaccines
- working 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.

Overview

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

About the Veterinary Medicines Directorate

Purpose

We are an Executive Agency within the Department for Environment, Food and Rural Affairs (Defra). We support the strategic aims and business plan of Defra and contribute to Defra's objectives to protect public health and meet high standards of animal welfare. We are 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.

We are responsible for:

Government:

- servicing, developing and implementing government policy and legislation on veterinary medicines, including residues monitoring, medicated feed and antimicrobial resistance (AMR)
- supporting ministers through briefing and advice on correspondence and Parliamentary Questions
- collaborating with government departments and agencies, and stakeholder groups
- enforcing the Veterinary Medicines Regulations 2013 (VMR)
- commissioning veterinary medicines related Research and Development (R&D)
- leading on responsible antibiotic use and on AMR surveillance

Veterinary pharmaceutical industry:

- assessing, issuing and processing applications for or changes to, marketing authorisations (MAs) valid in the UK
- 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 and trade:

- managing the programme for the surveillance of residues of veterinary medicines and banned substances in British livestock, fisheries and animal produce, reporting of results and co-ordinating follow-up action

- delivering technical expertise on the control of residues in foodstuffs to Defra's UK Office for Sanitary and Phytosanitary (SPS) Trade Assurance to inform UK trade policy

Organisational Structure

We are structured in four divisions and two offices, each led by a member of the Executive Management Board (EMB).

The Directorate which consists of the Chief Executive (Chair), the Deputy CEO and the Chief Operating Officer have the responsibility for planning, directing, and controlling the activities of the agency.

The Head of Divisions and Offices are deemed members of the EMB due to their responsibility in overseeing and leading the activities in their respective areas. More details on our governance structure can be found in the Governance Statement on page 23.

Our strategic focus

This section provides a summary of the key indicators for our business priorities during the year. A detailed analysis can be found under the Performance Analysis section.

We successfully delivered against all our business priorities through which we provide the best possible service to all our customers.

Business priority	Annual Key Performance indicator	2022/23	2021/22
Delivery of core regulatory services	The KPIs for the main different types of marketing authorisation application work; the recording and assessment of pharmacovigilance data; some inspection work; and the publication of summary of product characteristics are published on GOV.UK	We achieved an overall performance of ≥92%, which is effective.	We achieved an overall performance of ≥92%, which is effective.
Enhancing staff well-being	Civil Service People Survey engagement index score completed	61%	63%

	Oct 2022 for 2022/23 (completed Nov 2021 for 2021/22). The scoring incorporates wellbeing as well as other areas such as engagement related to pay and workload due to recruitment controls		
Progressing revision of the VMR for GB and NI	To launch public consultation on proposed changes to the VMR 2013 as it applies in Great Britain by Q4 2022/23	Met	N/A
Develop an Anthelmintic Resistance program with stakeholders	To continue to promote the newly formed equine pan-industry group CANTER, which is similar to Sustainable Control of Parasites in Sheep (SCOPS) and Control of Worms Sustainably (COWS) and for that group to have met at least twice.	Met	N/A
Engage internationally with other regulatory authorities, including capacity building	To have at least one additional signed agreement with another country (Canada, New Zealand, Australia and Ireland signed 2021/22) To hold a minimum of 4 regional conferences to facilitate greater regional cooperation within Sub-Saharan Africa on regulatory procedures.	Met	Partially met
Securely run and maintain existing services to high levels of availability	To deliver our IT services with ≥92% uptime across all services and with lower than 5% unscheduled downtime To uphold our external certification on Quality Management and Information security Management Systems to ensure that our systems and processes continue to meet internationally recognised ISO standards	Met	Met
Continued delivery of the AMR one-health National Action Plan	To continue our contribution to the animal health specific aspects of the cross-government 20-year AMR vision and 5-year AMR action plan through collaboration with government, the veterinary profession, and the agriculture sectors	Met	Met
Deliver the expectations for	To reduce overall carbon emissions, waste, water use and travel and	Met	Met

VMD as part of the wider Defra Sustainability program	increase our participation in initiatives to monitor veterinary medicines in the environment to reduce waste and improve disposal advice.		

Managing principal risks to our delivery

During the year, we made steady progress in mitigating and managing our key risk areas including increase demand for policy development and implementation; the impact of EU exit; cyber security; data handling; people related risks and international opportunities. For example, on policy development and implementation, we demonstrated good governance arrangements to capture key information on the delivery of commitments, assessment of outcomes and escalation of risks regarding our contribution to the animal health specific aspects of the cross government 20-year antimicrobial resistance vision and the 5-year antimicrobial resistance National Action Plan.

We faced several challenges on the revision of the Veterinary Medicines Regulations for Great Britain and Northern Ireland to implement secondary legislation. Negotiations continue with the EU Commission to implement long term solutions for veterinary medicines in Northern Ireland.

Further details on risks faced during the year and how they have affected the delivery of our business priorities can be found under Performance Analysis section and the risk management section under the Accountability report.

Some of the key risk areas and opportunities that may affect future performance are listed below:

- UK's regulatory independence from the EU and subsequent requirements for Northern Ireland
- economic climate affecting the veterinary pharmaceutical industry
- number of authorisation applications we receive, particularly for biologicals and novel therapies.
- implementation of the next 5-year action plan on antimicrobial resistance
- playing a leading role in the cross-government group on pharmaceuticals in the environment
- revision of the VMR as they apply in Great Britain, including updating regulatory fees, and implementation of the changes made
- recruitment of specialist roles and retention of staff
- developing new international alliances including on the collaboration of assessment routes and providing greater global opportunities for industry
- continue broadening externally funded outreach work to support regulators in other countries to build medicines regulation and antimicrobial resistance control capability
- continue to develop strategy on anthelmintic resistance
- building our role and reputation as a training provider on all aspects of veterinary medicine regulation
- continuing activity to ensure compliance with data protection legislation

- continuing activity to address opportunities to improve the risk to data security and protection

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 our liabilities will 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 2023/24 has already been given and there is no reason to believe that future approvals will not be forthcoming.

We are responsible for enforcing the Veterinary Medicines Regulations 2013 and we continue 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, both multi-year projects which confirms our functions are necessary and should continue to be delivered and that we are best placed to carry out these functions.

Performance Analysis

About the performance analysis

This section of the report outlines our performance against our priorities for the financial year from 1 April 2022 to 31 March 2023. It provides a detailed view of our performance, how we are achieving our strategic objectives, the key performance indicators to monitor performance and it highlights important events during the year.

The Defra Strategy

All Defra Group organisations (including non-ministerial departments, executive agencies, non-departmental and other public bodies) act together on a shared agenda in contributing to the single vision of improving and protecting our environment by making our air purer, our water cleaner, our land greener and our food more sustainable. Our work contributes to the achievement of Defra's strategic outcomes and supports the goals within Defra's 25-Year Environment Plan.

Our primary outcome is Priority Outcome 4: Agriculture, food, fisheries, animal welfare and biosecurity - Increasing the sustainability, productivity and resilience of the agriculture, fishing, food and drink sectors, enhancing biosecurity at the border and raising animal welfare standards.

We also contribute to delivering activities to meet:

- Priority Outcome 1: Environment – Improving the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife, and
- Priority Outcome 2: Net zero – Reducing greenhouse gas emissions and increasing carbon storage in the agricultural, waste, peat and tree planting sectors to help deliver net zero. Actions to achieve our strategic objectives are described in detail in the Business Priority section below.

Business Priority

Our 2022-23 outcome delivery plan, agreed with Defra, was structured around 8 priority objectives.

Priority objective 1:
Delivery of core regulatory services, with overall performance against published standards to be at or above the effective level (≥92% of performance indicators met).

Our performance against targets per type of application and associated activity is published monthly in detail.

Activity	2022-23	2021-22
Number of new Marketing Authorisation applications	104	113
Number of variation applications	2,185	2,009
Number of adverse events reports received	8,525	9,042
Number of product defect reports received	61	52
Number of inspections	1,189	982

Number of residues samples collected (in calendar year: 2022 and 2021)	32,544	33,444

It was a challenging year to maintain our excellent service delivery performance standards. Maintaining alignment of veterinary medicine marketing authorisations between NI and GB is considered critical for industry to continue to market veterinary medicines throughout the UK. Challenges posed by operating a dual regulatory regime, navigating our new relationship with the EU and European Medicines Agency (EMA), and resourcing issues resulted in some operational difficulties.

We continued to provide quarterly reports of all granted Special Import Certificates to the Veterinary Products Committee (VPC) for information. In addition, on an ad-hoc basis, we informed the VPC about key availability issues arising for UK veterinary medicines and observed trends in Special Import Scheme activity.

Of the Special Import Certificate applications we assessed, 99% were approved or refused within the service charter of 25 working days from receipt of application, with many certificates being made available instantaneously through our online service.

We made significant progress on updating our online service to introduce enhanced functionality, such as the ability to save and resume draft applications and have an individual account to view all certificates issued in one place. We expect to launch the pilot service in 2023.

We conducted 987 inspections of manufacturers, wholesale dealers and retailers of veterinary medicines, and 202 inspections of manufacturers and distributors of medicated animal feeds.

We continue to maintain strong relationship with other regulatory and professional bodies to which we delegate responsibility for some inspections, for example the Medicines and Healthcare products Regulatory Agency (MHRA), which authorises and inspects manufacturers and wholesale dealers of both human and veterinary medicines; and the Royal College of Veterinary Surgeons (RCVS), which inspects some veterinary practice premises, to ensure our respective inspection procedures are equivalent.

We continued to collaborate with other international inspectorates and during the year performed 6 joint good manufacturing practice (GMP) inspections with inspectors from the Belgian, French and Danish authorities.

We updated our Enforcement Policy and on-boarded an intelligence platform, giving us scope to securely share information with trusted enforcement partners. We also created an Intelligence Unit which has worked with other regulatory agencies to tackle breaches of the VMR. During the year we seized a wide range of illegal products including antibiotics and vaccines both for food producing and non-food producing animals (details are published on GOV.UK).

With regards to the control of residues in foodstuffs, it was another challenging year for delivery – though this delivery was achieved in full. In particular, the Avian Influenza outbreak (the largest UK have experienced) continued to hamper the collection of on-farm samples and carrying out investigations into non-compliant results.

Post EU-exit the importance of our domestic controls for residues continued to be reinforced through our surveillance programme to ensure food safety and facilitate international trade.

The Residues Section key successes were:

- meeting the trade requirements of the US Food & Drug Administration through remote audit
- hosting a Taiwanese trade delegation
- acting as a lead member of the first in-country residues audit of India's controls on antibiotics in aquaculture products, scheduled by Defra's UK Office for SPS & Trade Assurance

We were recertified to ISO9001:2015 (Quality) which acknowledged our excellent process driven outcomes and change management.

We complied with the Central Government policy on prompt payment. While our standard terms and conditions for the supply of goods or services specify 30 days of receipt of an undisputed invoice, we aim to pay all undisputed invoices within 5 working days of receipt. In 2022-23, 100% of undisputed invoices were paid within 5 working days against the target set by the Cabinet Office of 90% (99.9% 2021-22). We continued to make efforts to streamline the internal payment process and plan on implementing further improvements in 2023-24 while maintaining a suitable level of control~~s~~.

The VMR sets out our fees and charges. Our objective is to ensure the full cost recovery of providing our regulatory services to industry. The eligible recoverable costs are guided by HM Treasury's Managing Public Money. In 2022-23 we achieved 100% recovery (2021-22 100%). The analysis of the fees and charges is provided within the Parliamentary Accountability and Audit Report section. Our future year plan is to simplify the fee structure to enable us to recover the full cost of the service where appropriate. The current VMR fees were last updated in 2013.

We managed our finances effectively and efficiently to support delivery of our strategic objectives. In the year 2022-23 we utilised 97% of the gross expenditure budget allocated to us from Defra (96% 2021-22). Our plans for the next two years have been endorsed by Defra and reflect budget allocations set out in the Comprehensive Spending Review (CSR) 2021 to ensure we continue to deliver on our core objectives. We continued to review processes to make more efficiency savings as agreed during the CSR21 settlement. A review of our financial performance during the reporting year is provided in the Financial Review section of this report.

Priority objective 2:
Enhance staff well-being, increasing resilience and timely recruitment.

We engaged with all our staff to ensure we supported and provided an inclusive and good working environment. We have embedded a series of initiatives focusing on wellbeing and respect agendas that have been well attended and well received by staff.

We offered an extensive set of training opportunities and also worked with individuals to tailor training to their specific role and career needs.

The year has been particularly hard for retention of staff due to the private sector offering more competitive remuneration, particularly considering increasing inflation.

We engaged an external partner that worked with staff to review and analyse the Civil Service People Survey results to gain greater understanding and then to help develop an action plan which was addressed throughout the year.

We focused on making improvements to our recruitment process and streamlined our time to hire. We also engaged with Defra's recruitment strategies and campaigns, for example, offering apprenticeship roles with dedicated time for training. Our time to recruit from advertisement to staff in post was an average of 61 days including the security clearances, below the Defra target of an average of 69 days.

Priority objective 3:
Progressing revision of the VMR for GB and NI to be able to lay secondary legislation in 2023.

In February 2023 we launched the public consultation on proposed changes to the Veterinary Medicines Regulations 2013 as they apply in Great Britain. We engaged extensively with our stakeholders, including regulatory partners, to develop proposals that intend to:

- modernise the VMR by reflecting developments and technical advances in the veterinary medicines sector,
- reduce regulatory burden where possible,
- encourage the submission and marketing of new and innovative products to support the aim of increasing availability of medicines,
- reduce the development and spread of antimicrobial resistance, and
- improve prescription and supply of veterinary medicines.

The UK's ongoing negotiation with the European Commission has seen an extension to the grace period which maintains the current situation for veterinary medicines under the Northern Ireland Protocol. The grace period has been extended until 31 December 2025. We continued to work closely with Defra's Northern Ireland Directorate, the Department for Agriculture, Environment and Rural Affairs (DAERA - NI), the Department of Health NI, the Foreign and Commonwealth Office and the Cabinet Office to support talks with the European Commission. The aim of these talks is to find a long-term, durable solution for the issues facing veterinary medicines in NI.

Priority objective 4:
Develop an Anthelmintic Resistance program with stakeholders.

We facilitated several engagement events which resulted in the establishment of the pan-industry group Controlling ANTiparasitic resistance in Equines Responsibly (CANTER). Many organisations contributed to CANTER's development, and its' stakeholder-led governance, to begin a much-needed coordinated approach to antiparasitic use and stewardship.

The CANTER Core Steering Group comprises around 20 representatives from across the equine sector and is supported by subgroups to enable wider participation with CANTER. The Group met 3 times throughout 2022-2023 and agreed its terms of reference. The Core Steering Group provides strategic direction regarding the development and scope of CANTER priorities and activities.

A priority for CANTER is to develop best practice guidelines to help promote a consistent approach to parasite control across the equine sector. Associated subgroups have been established to develop, inform and promote these guidelines and the wider work of CANTER.

We continued to work with and have representation on the SCOPS and COWS Steering Groups and sponsored two sheep scab and two anthelmintic resistance R&D projects to help inform and validate best practice guidance, to better understand the extent and spread of anthelmintic resistance in the UK and to help develop diagnostic tests for the detection of anthelmintic resistance.

We commissioned research to help inform guidelines and reporting for the 'Wormer Treatment Check' component of Defra's Animal Health and Welfare Pathway for sheep farms in England to help improve uptake and quality of testing and advice.

Priority objective 5:
Engage internationally with other regulatory authorities, including capacity building.

In addition to the already signed MOUs with Canada, New Zealand, Australia and Ireland, we signed an MOU with Switzerland. We also agreed a joint review process with each country to facilitate parallel submissions.

We continued to participate in formal and informal international fora, including meeting monthly with counterpart regulators in Canada, USA, New Zealand and Australia and creating an informal Community of Practice on pharmacovigilance and anthelmintic resistance to share good practices. We also met with our counterparts in Swissmedic on a quarterly basis.

Other networks we participated in regularly included the VICH, Working Group of Enforcement Officers (WGEO), Veterinary Batch Release Network (VBRN), the Codex Committee on Residues of Veterinary Drugs in Food (CCRVDF), the Quads network on AMR, and the Transatlantic Taskforce on AMR.

We continued to deliver capacity strengthening activities with counterpart regulatory bodies in low- and middle-income countries, funded by Fleming Fund and Bill and Melinda Gates Foundation, including facilitating greater regional cooperation within Sub-Saharan Africa on regulatory procedures. These activities included creation of a self-assessment tool for national veterinary regulatory agencies, creating online learning content and providing blended training to other regulators, and convening a series of regional conferences for regulators in Sub-Saharan Africa.

We provided technical contribution to development of the Food and Agriculture Organization of the United Nations (UN FAO) pre-qualification scheme for Foot and

Mouth Disease vaccines and to the Agresults Foot and Mouth Disease vaccine challenge project. We also provided technical advice to international organisations and counterpart regulators on different aspects of antimicrobial resistance and use, including contributing content to UN FAO e-learning on AMR. Our aim was not only to help address AMR but to help farmers have sustainable livelihoods by supporting other regulators to ensure they have safe and effective veterinary medicines within their territories. Improving animal health systems, which is underpinned by availability of quality medicines, has the potential to transform the lives of some of the poorest people in the world.

We held face-to-face training events on good distribution practices and dispensary management, in the UK and overseas, co-created a course 'Managing veterinary medicines: staying legal and promoting safety' with RCVS Knowledge, and added new e-learning courses to our online learning platform on sampling techniques for residues surveillance and on authorisation of generic products.

Priority objective 6:
Securely run and maintain existing services to high levels of availability, further develop our digital service offering and instigate the IT legacy transformation programme.

Our IT services ran at very high levels of availability during the year, with 99% uptime across all services with very little unscheduled downtime and with scheduled downtime managed out of business hours to minimise disruption to our users. We improved our security with work in this area growing significantly to counter the increased threat level arising from global events.

We improved our digital services based on user feedback and other priority upgrades. Our new online Special Imports Service was tested with a group of users and we completed a public beta service assessment, to ensure compliance with the government service standard.

Just after the year end, in April 2023, we successfully transitioned the maintenance of our digital service to a managed service supplier and that provider is also our delivery partner for new digital and technology services.

Priority objective 7:
Continued delivery of the AMR one-health National Action Plan, including publishing the VARSS report.

We continued to successfully contribute to the animal health specific aspects of the cross-government 20-year AMR vision and 5-year AMR action plan. Our annual report on the UK Veterinary Antibiotic Resistance and Sales Surveillance Report (UK-VARSS) 2021 published November 2022 showed that:

- sales of antibiotics for food producing animals were the lowest to date (28.3 mg/kg) and this has reduced by 55% since 2014
- since antibiotic use data was first published for each sector, significant reductions have been achieved, including in the pig (-69%), turkey (-81%), broiler (-72%), duck (-89%), laying hen (-50%), gamebird (-55%) and trout (-69%) sectors

These reductions were achieved through collaborative working between government, the veterinary profession, and the agriculture and fishing sectors, with a focus on improved biosecurity, stock management, and good farming practices, disease prevention (including vaccination) and use of diagnostics.

It is testament to the drive, ambition, and tenacity of dedicated people across multiple sectors and highlights how antibiotic stewardship has become an important feature of UK farm management.

The story of this collaborative approach is highlighted by the UN FAO case study report published in September 2022 Tackling antimicrobial resistance in food-producing animals: Lessons learned in the United Kingdom of Great Britain and Northern Ireland.

We also engaged internationally on AMR during this period, including co-chairing a consultation for the UN FAO, helping to secure AMR text in G7 and G20 agriculture ministers' declarations, and attending the third Ministerial Conference on AMR held in Muscat, Oman, from which the key output was a declaration called the Muscat Manifesto.

Priority objective 8:
Deliver the expectations for VMD as part of the wider Defra Sustainability program.

We commissioned a review of the effects of ectoparasiticides[1] indicated for use in companion animals on the environment, including imidacloprid[2] and fipronil[2] containing products. On completion, we aim to produce an evidence-based risk assessment to inform future policy.

Working with other government agencies, we actively participated in initiatives to monitor veterinary medicines in the environment. We worked closely with the pharmaceutical industry to reduce waste and improve disposal advice.

All our fleet vehicles are hybrid and all travel takes carbon emissions into account. With Defra Group Property and the sustainability programme, we ensured all work included improving the sustainability of the building, wherever possible.

[1] Ectoparasiticides are compounds used to treat external parasites such as lice, mites, ticks, fleas ad flies
[2] Active ingredients in flea treatments

Social and Community Issues and Environmental Matters

Social and community issues

Defra group equality, diversity and inclusion strategy 2020 to 2024, which includes us, aims to ensure that Defra is a great place to work, and we deliver our aspirations to be an organisation with a diverse, open and inclusive culture.

We do this by: creating more inclusive cultures; building and sustaining a representative workforce; making the UK a great place to live for all; improving Equality Diversity and Inclusion capability and confidence; and communicating, raising awareness and reporting progress.

All our staff are required to complete training on:

- Security & Data Protection training
- 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.

Site facilities

The Science Capability in Animal Health (SCAH) programme is taking place on the Weybridge site however, we are not directly impacted by the works and new facilities being developed for the Animal & Plant Health Agency on our shared site.

Counter Fraud, Antibribery and anti-corruption matters

We adhere to the Defra Group policy in relation to fraud and its zero-tolerance approach to any instances of fraud, bribery & corruption, or other related illegal activities, including money laundering, terrorist financing and insider trading.

All staff must follow our Fraud Response and Procedure plan. This document is reviewed annually by Audit and Risk Assurance Committee members. All cases of suspected fraud, bribery and corruption are thoroughly investigated and dealt with appropriately.

Everyone has the responsibility to report suspected fraud and staff are encouraged to report anyone they reasonably suspect of fraud or malpractice. The Executive Management Board is particularly committed to ensuring staff feel empowered, supported and protected should they need to raise any areas of concern.

Our Fraud Risk Management Strategy is aligned to the Defra Group Counter Fraud Strategy and anti-bribery and corruption policy. These apply to all staff whether permanent or temporary. The policies are regularly reviewed for relevance and clarity.

There was no instance of potential fraud, bribery and corruption identified in 2022-23 (2021-22: Nil).

Human rights disclosure

We have an obligation to ensure that all our actions respect the human rights of all staff and those we provide services to. There has not been any litigation against us alleging a breach of the Human Rights Act 1998 during 2022-23 (2021-22: Nil).

Financial review

We thoroughly monitor our financial performance and continue to seek efficiency while maintaining our standards of performance. We achieved our 2022/23 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.

In 2022/23, our budget allocation agreed with Defra was £14.9m. It includes both Resource Delegated Expenditure Limit (RDEL) and Capital Delegated Expenditure Limit (CDEL) but excludes the indicative income budget. The actual operating income recognised in the financial statements is £13.9m and the total gross expenditure (RDEL and CDEL) for the year was £25.3m, resulting in a net outturn position of £11.4m. The variance from budget is mainly due to increased operating income received during the year compared to the indicative income budget allocated by Defra £11.0m. The agreed funding is the total available and does not necessarily align to the grant-in-aid drawn down in the year as disclosed in the financial statements.

The total operating expenditure for the financial year was £24.09m (2021/22: £27.64m), funded by operating income of £13.85m (2021/22: £11.22m) resulting in a comprehensive net expenditure of £10.24m (2021/22: £16.43m) to be funded by grant-in-aid from Defra. The statement of financial position shows taxpayers' equity of £8.75m (2021/22: £3.63m).

In 2022/23 we delivered regulatory services to the Veterinary Pharmaceutical Industry (VPI) to a total cost of £7.76m (2021/22: £6.01m). These services are for authorisations and inspections work, costs are recovered through fees and charges to industry. The cost of regulation of the food industry is £4.14m (2021/22: £3.79m), these were recovered through charges levied on abattoirs and other food processors. We achieved our cost recovery targets for the year.

In the year, £8.49m (2021/22: £7.67m) was utilised, inclusive of non-cash and notional recharges for our activities on policy, enforcement, management of the R&D, AMR programmes and activities to support our international capacity building objectives.

Resources to support EU transition work were £3.70m (2021/22: £11.10m), including £1.20m (2021- 22: £1.53m) capital investment, for the development of IT systems, 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.

Cash flow

Cash and cash equivalents have decreased to £2.77m as of 31 March 2023 from £3.74m on 31 March 2022, a decrease of £0.97m. In year, our net cash draw down was £14.70m (2021/22: £12.42m). The net cash requirement under the gross control funding arrangement was £15.67m (2021/22: £10.57m).

We follow the principles of the Better Payment Practice Code in compliance with the Public Sector Payment Policy and paid 100% (2021/22: 99.9%) of undisputed invoices within 5 working days.

Environmental matters: sustainability report for 2022/23

For more information please see Defra's Annual Report and Accounts – section headed: "Commentary on Sustainable Performance" and the Greening government ICT and digital services annual report, which covers the VMD.

Under the Greening Government Commitments reduction targets for 2021 to 2025, which sets out how Defra are working toward net zero by 2050, we have a commitment to reduce our greenhouse gas emissions, the amount of waste we generate and our water consumption.

Sustainability Data

Defra's Built Environment Sustainability Team (BEST) provides us with quarterly figures on each of the following categories.

Our baseline figures are based on our usage during 2017/18. The costs for our energy, water and waste disposal are part of the overall Defra Corporate Recharge. The cost for our waste management is not billed separately.

As at 31 March 2023, our full time equivalent was 163.6 and our building's floor space was 4,320m^2 across 3 floors.

We do not hold any natural capital or landholdings. Our office building forms part of the Defra estate and its maintenance and construction projects are procured and assessed by Defra.

Energy consumption (1000 kWh)

Energy	Baseline	2022/23	2021/22	2020/21
Electricity	271.7	248.5	223.9	212
Gas	36.7	330.6	29.6	27.9

Our total expenditure on energy is £27k (electricity £14.1k and gas £12.9k).

Mitigating climate change: working towards Net Zero by 2050 (tonnes CO_2)

Scope	Baseline	2022/23	2021/22	2020/21
Scope 1: direct emissions	67.6	60.4	66.6	16.1

Scope 2: energy indirect emissions	95.5	48.1	47.5	54.2
Scope 3: official business travel emissions	8.9	5.5	4.9	4.9
Total emissions	**172**	**114**	**119**	**75.2**

We have reduced our overall CO_2 emissions by 34% to 114 tonnes compared to our baseline. The main direct impact is our electricity and gas consumption. Normally significant changes to consumption cannot be made without capital investment, for example to introduce more energy efficient heat sources. We replaced all our radiators in April 2022 which made heating our building more efficient.

Waste (tonnes)

Waste	Baseline	2022/23	2021/22	2020/21
Incinerated with energy recovery	10.1	7.1	3.4	2.6

We have reduced waste by 29% compared to our baseline. Our main waste is paper and other office related materials. Our increase waste this year is mainly from a one-off exercise disposing of a backlog of 3,000 paper files in accordance with our retention policy.

Our building is located on a shared Defra site in Weybridge and all our waste is recycled through an energy recovery incineration system.

Water (m^3)

Water Consumption	Baseline	2022/23	2021/22	2020/21
Scope 2: Water consumption	811	352	248	84

We have reduced our water consumption by 56% compared to our baseline. Our main water use is in the toilet facilities, which have 'water pigs' in the cisterns. We cannot do more to reduce toilet facility water usage without capital investment in new hardware. The two showers are already low volume units.

Our total expenditure on water is £1.4k.

Travel: Flights emissions (tonnes CO_2)

Flights	Baseline	2022/23	2021/22	2020/21
Carbon from UK flights	3.3	0.7	0.4	not recorded
Carbon from international flights	Not captured	68.4	0.88	not recorded

Domestic flights

Class	Number of flights	Total distance in km
Economy	49	28,016
Premium economy	4	1,780
Business	0	0
First	0	0

Short haul flights

Class	Number of flights	Total distance in km
Economy	42	41,346
Premium economy	4	4,208
Business	0	0
First	0	0

Long haul flights

Class	Number of flights	Total distance in km
Economy	0	0
Premium economy	0	0
Business	91	664,416
First	0	0

All our UK travel, except for necessary travel to Northern Ireland and Scotland, is by rail or road and many of our meetings are carried out online.

All our fleet cars are hybrid powered and are ultra-low emission vehicles.

Our total expenditure on business travel including flights, public transport, taxis, car hire, parking, and travel insurance for 2022/23 is £302k.

Consumables and procurement

Our procurement decisions include sustainability considerations and, where possible, we select suppliers and award contracts in line with our sustainability commitments.

For services and supplies to the property, including facilities maintenance and refurbishment, they are procured and delivered by Defra Estates and the Facilities Management Contractor who carry out appropriate sustainability assessments.

Our paper use is very low as we work digitally by default. For the year 2022/23 we used 200 reams of A4 paper (75 in 2021/22) and 140 notebooks (36 in 2021/22).

The only single use plastics we purchase are to enable the safe and secure collection of animal tissue and fluid samples for our residues surveillance work. These are made from recycled materials, where possible, and include vials, pots, and bags. We review available alternatives to plastic as part of our annual procurement process.

Abigail Seager
Chief Executive
16th October 2023

Accountability Report
Corporate Governance Report

Director's Report
Board, Executive Directors and Senior Officials

The VMD employs one Director in addition to the Chief Executive.

Position	Position holder
Chief Executive	Abigail Seager
Director of Authorisations	Gavin Hall Interim Director until 31 December and Director from 1 Jan 23
Chief Operating Officer	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 2022/23.

Protecting personal data There were no personal data-related incidents in 2022/23 reported to the Information Commissioner's Office (ICO).

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, changes in taxpayers' equity and cash flows for the financial year.

In preparing the Accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (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 15 December 2022 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 were 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.

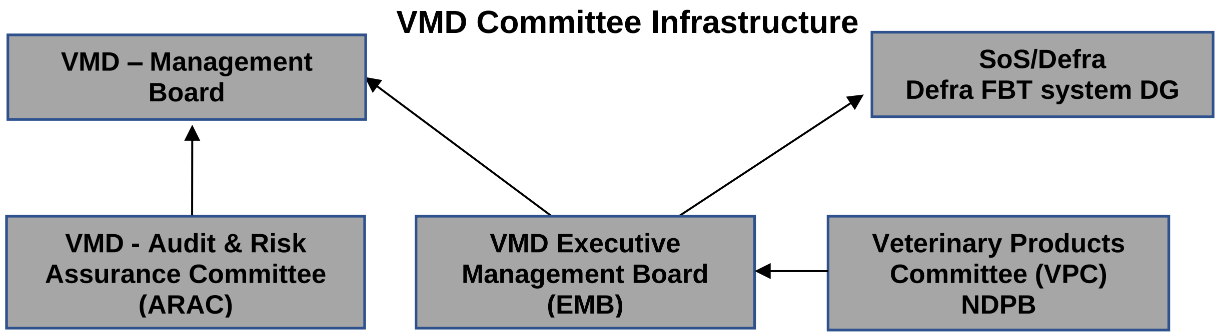
Governance framework

These arrangements have been in place for 2022/23 and up to the date of signing of the accounts unless specified otherwise. The VMD is an Executive Agency of Defra. We are the UK policy lead on veterinary medicines and AMR. As the national competent authority, we are responsible for the implementation of all aspects of the VMR 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, Biosecurity and Trade (DG FBT), formerly Food, Farming and Biosecurity. The DG FBT 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 FBT meetings.

Committee structure



The VMD Management Board (MB) meets quarterly, 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 three other NEDs, David Catlow, Timothy Riley and Philippa Hardwick and the Defra FBT system DG, with the Head of Finance in attendance. From December 2022 we welcomed Nicola Charlton to join as our apprentice. EMB members and 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 on assurance and on the adequacy and effectiveness of the VMD's governance and risk management frameworks. Chaired by a NED, Timothy Riley, and consisting of the other three NEDs and the MB board apprentice in attendance. 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) 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. EMB also includes 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 2023 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 2023 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 2022/23 targets and key deliverables, and the results of the 2022 annual staff survey. The outcomes of the EMB are reported to staff through the weekly EMB Debrief and follow up email to all staff, 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.

Managing interests and business appointments
We follow the Defra Code of Conduct that sets out our policy on declaration, handling outside interests and the management of conflicts of interest applicable to all staff, and on the application of the business appointment rules.

All our 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 2022/23 no Board member conflicts of interest were identified. NED declarations of interest are published on GOV.UK. All our staff are required to comply with the Civil Service Management Code. Any outside appointments during employment are approved and assessed by reference to the Code, managed through Executive Management Board (EMB). No members of the EMB hold any company directorships or other significant interests that conflict with their management responsibilities.

The Business Appointment Rules apply to serving civil servants who intend to take up an outside role after leaving the Civil Service, and to former civil servants for two years after the last day of paid service. Policy and process is in place for managing applications that may require approval before a job or appointment is confirmed outside the Civil Service. We follow a tailored approach to ensure proportionality, by reference to the seniority of the individuals concerned, their roles and the scope of their new employment. Information on Business Appointment Rules is also available to all staff on the Defra intranet.

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 May, October and February. Minutes of meetings and further information is published on GOV.UK. The Committee considered the uses and regulation of bacteriophage products and continued to monitor veterinary pharmacovigilance activities through the reports compiled by our Pharmacovigilance team. It also reviewed and updated its strategy and plans for the next 5 years.

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).

Civil Service People Survey
Our Civil Service People Survey engagement index score completed in October 2022 (the survey's measure of those areas that most shape our experience at work) is 61% (63% completed November 2021).

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. There have been no reports of whistleblowing during 2022/23 (2021/22: nil).

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.

Risk Management

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. Our approach to identifying, managing and reporting on risk that could threaten the achievement of our objectives are based on the principles and concepts set out on HM Treasury's Orange Book: Management of Risk.

The Directorate is responsible for setting the amount of risk we are willing to seek or accept in delivering our objectives, which is reviewed by the Audit and Risk Assurance Committee (ARAC) and Management Board (MB). Our risk management process enables us to assess the potential impact of identified risks against our risk appetite. We recognise that exposure to risk can also identify opportunities. We assess opportunities that may arise from changes in the external and internal environment we operate in and focus resources on exploiting those opportunities we agree to pursue.

Accountability and responsibility for risk management

The Risk Manager works across the division and offices within VMD to ensure quality and consistency in the risk management process. This includes undertaking quality assurance checks and identifying areas of the business where risk management needs strengthening.

Risk owners are required to review their risks monthly, supported by the Risk Manager. This includes supervision, execution, monitoring adherence and implementing corrective actions to address deficiencies.

The Directorate sets the boundaries for risk management through the application of standards, policies, procedures and guidance and agree any deviation from defined requirements. EMB members contribute to the process by reviewing and managing the risks within their division or office; and reviewing significant business risks, opportunities, and issues. A deep-dive risk review occurs monthly.

ARAC review and provide challenge to management on corporate risk four times a year. This includes continuously assessing the nature and extent of the key risks that VMD is exposed to and is willing to take to achieve its objectives. The committee ensures that planning and decision making reflects the assessment carried out by management.

Significant risks that impact the delivery of objectives covering all policy and operational areas, functions and types of risk is escalated to Core Defra Group where mitigation requires higher level of authority or action.

The degree of risk is measured by considering the likelihood and impact of those risks and issues. During 2022/23, there was an increase in policy and people related risks, the impact of EU exit and an increase in demands for policy development and implementation. We mitigated a number of people related risks, in particular, internal and external factors impacting recruitment and retention of staff such as challenges with the cost of living, the drive to make efficiencies and adhering to Defra recruitment controls. We have put in place mitigating actions to balance the demands of delivery pressures and wellbeing. This includes independently assessing the Civil Service People survey results to address staff wellbeing concerns. The key risk that affected delivery of our objectives, the challenges faced and the mitigation during the year are summarised in the table below:

Key risk	Mitigation
Strategic risk During the year, we mitigated the risk of an unintended burden on industry due to the divergence between the GB framework and EU regulations (applicable in Northern Ireland) which could impact the choice and availability of veterinary medicines.	 We have continued to assess GB applications submitted nationally in parallel with NI and in parallel with those submitted in NI under the Decentralised Procedure or Mutual Recognition. We have also maintained legislative airgap solutions to enable product labelling to remain harmonised wherever possible, including reviewing labelling requirements to ensure the continued availability of products on both the GB and NI markets.
Operational risk The risk of a reduction in central services provided to VMD due to recruitment controls, capacity and capability which could result in the delivery of lower quality corporate services The risk that the necessary changes for the implementation of GB VMR will be delayed due to lack of resources, including that of delivery partners	 We increased our engagement with Defra Corporate Services Board on resourcing pressure and prioritisation to ensure delivery of services and early awareness of potential issues We proactively identified and coordinated the impact of the changes to the GB VMR at a team level and delivered workshops to staff to help address the key areas early.
People risk The risk of retaining staff due to workload / private sector competition which could result in high staff turnover and impact business continuity.	 We increased our engagement with staff through our various networks and provided access to the support mechanisms

The risk of being unable to recruit at pace due to recruitment controls and the lack of knowledge transfer which could result in new starters unable to carry out their role effectively	available within the Civil Service and Defra Group We mitigated this risk through better timing and planning for succession. We reviewed and maintained clear handover notes and Quality Management System (QMS) Standard Operating Procedures
Compliance and Governance risk The risk of not attaining the required assurance to meet the requirements of UK GDPR legislation due to the lack of resource and time to complete required actions which could result in fines. The risk of non-compliance with off-payroll rules	We mitigate this risk through our Accountability Framework: self-assessment of our progress towards UK GDPR compliance. It captures areas of risk and mitigations in place to manage them. All our staff are trained in our GDPR procedures and appropriate and timely reminders of best practice are issued accordingly. We delivered a workshop to all hiring managers and continue to undertake IR35 assessments using the CEST tool and issuing a status determination statement to workers.
Funding pressures The risk of under recovery of regulatory services due to inflation and continued unprecedented escalation in energy costs impacting our delivery partners	We mitigated this risk through continuous monitoring of the impacts and responses to the changing situation. During the year, we reported on a monthly basis; the in-year and near-future financial forecast to the EMB to help with timely decision making, ensuring that resource increases to meet demand.
Data Security The risk of data and operating systems being compromised due to breach through legacy IT systems or non-compliance. **Cyber security** The risk of being a target of cyber attacks aimed at accessing or	We hold an external certification to ISO 27001 Information Security Management Systems (re-certification achieved in November 2022) and continue to work towards addressing opportunities for improvement In addition to significant technical enhancements to improve our security

destroying sensitive information and its impact on business processes.	posture across the IT estate, we mitigated cyber risk by providing mandatory training in Cyber security and Data Protection to all staff to ensure they remained vigilant and demonstrate good security behaviours.

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

- secured funds in CSR21 to cover additional pressures and new requirements as a result of leaving the EU
- dedicated work force planning
- operational readiness
- working with Defra, Department of Health and the Medicines and Healthcare products Regulatory Agency

Audits

In October 2022 our independent external auditor, SGS recertified our ISO 9001:2015 (Quality Management) and ISO 27001:2013 (Information Security Management System) standards. This confirmation of recertification represents independent assurance that our systems and processes continue to meet these internationally recognised standards.

For ISO 9001:2015 there were no identified major or minor non-conformities. We received four suggested opportunities for improvement which we are considering.

For ISO 27001:2013 we received no major non-conformities, 6 minor non-conformities, and 13 opportunities for improvement were recommended. We accept these non-conformities and are working towards addressing them along with considering the opportunities for improvement.

Quality Management System
Our Quality Management System (QMS) ensures processes and procedures are documented and managed effectively. Trained VMD auditors, Defra Internal Auditors (GIAA), 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. Two tests are carried out each year to check that all staff receive urgent business continuity information. The same method is used to notify staff of IT system issues which act as a further check that staff can be updated as required.

Information management and data security
During 2022/23 we continued activity to ensure compliance with data protection legislation and Information Commissioner's Office (ICO) guidance. This included replacing data protection reviews with the ICO recommended Accountability Framework.

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

Our governance structure ensures that information assets are handled appropriately and we employ effective approaches to managing risk. The Defra Civil Service Learning Security & Data Protection training course is undertaken on an annual basis by all staff, and as part of our induction process.

We are supported by Defra's Data Protection Officer and are part of a wider Defra Data Protection Network to ensure our implementation of the General Data Protection Regulations (GDPR) reflect the latest thinking and practice.

There were no data security lapses that were deemed to be significant or critical during 2022/23 (2021/22: Nil).

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. Progress on all agreed actions are reported back to (and any extensions, if required, are approved at) ARAC. These four reports were issued during 2022/23:

- Antimicrobial Resistance (AMR) National Action Plan 2019 - 2024 – overall rating "Moderate"
- Key Financial Controls - Government Procurement Card (GPC) and Expenses – overall rating "Moderate"
- Procurement and letting of contracts – overall rating "Moderate"
- Delivery progress of the new Veterinary Medicines Legislation – overall rating "Moderate"
- Enforcement processes (follow up) – overall rating "N/A" (as is a follow-up)

In its 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".

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.

Government Functional standards

Government Functional Standards sets the expectations for the management of functional work and the functional model across government departments and their arm's length bodies. HM Treasury notified all Accounting Officers in the autumn of 2021 of the requirement to confirm compliance with the 14 Government Functional Standards. The standards have been introduced as part of central government's efficiency reforms.

The VMD receives corporate services from the Core department in a number of areas. As part of the services delivery model, Core Department Heads of Function ensure compliance assessments are in place for these Functional Standards which are used to assess future development areas. Assessments have shown that for services received, half of Functional Standards are rated in the "Good" or "Better" rating category. The focus in 2023/24 will remain on improving compliance levels.

Where services are not received from the Core department, the heads of function within VMD carried out an assessment to review compliance. Initial assessment has shown that most of the functional standards were fully compliant, or partially compliant. They have been rated in the "Good" or "Better" category. In 2023/24, where relevant, we will implement a compliance review against each functional standard to enhance compliance.

Russia – Exposure of investments

The VMD has no investments in Russia or Belarus. We have no contracts with suppliers from Russia and Belarus and we have not identified any other exposure as a result of the ongoing Russian invasion of Ukraine.

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 VMD's Performance Management System.

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.

Officials	Salary		Bonus payments		Pension benefits[1]		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SP Borriello[2] Chief Executive to 9 Sep 2021	-	50-55	-	-	-	107	-	160-165
A Seager[3] Chief Executive	95-100	80-85	-	5-10	50	66	145-150	155-160
G Hall[4] Director of Authorisations	70-75	35-40	0-5	0-5	12	34	85-90	70-75
M Griffiths Chief Operating Officer	65-70	65-70	0-5	0-5	27	26	95-100	90-95

(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) SP Borriello retired from his post as the Chief Executive in September 2021. The salary figures quoted is for the period 1 April 2021 to 9 Sep 2021. The full year equivalent banding is £120k to £125k

(3) A Seager was appointed Chief Executive on 10 September 2021 having been Director of Authorisations during the year from 1 April 2021. The full year equivalent banding is £90k to 95k

(4) G Hall was appointed interim Director of Authorisations on 10 September 2021 and Director of Authorisations in January 2023. The full year equivalent banding is £70k to £75k.

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 where applicable, 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. None of the Directors received any benefits-in-kind in 2022/23 (2021/22: nil)

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses paid in 2022/23 relate to performance in the prior financial year, comparative bonuses for 2021/22 relate to the 2020/21 performance.

Fair pay disclosure (audited)

Reporting bodies are required to disclose the percentage change from the previous financial year for both salary and performance pay in respect of the highest paid Director and the average percentage change in respect of employees of the organisation taken as a whole.

	2022-23			2021-22		
	Salary	**Bonus**	**Total**	**Salary**	**Bonus**	**Total**
Annualised band of highest paid Director remuneration £'000	95-100	-	95-100	120-125	-	120-125
The % change from previous financial year in respect of the highest paid Director	-20.4%	-	-20.4%	0.0%	-100%	-7.5%
Average employee remuneration	£40,414	£593	£41,007	£40,377	£412	£40,505
The average % change from previous financial year in respect of the employees taken as a whole	-0.2%	43.3%	0.2%	-1.3%	87.9%	-0.8%

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the top to median, lower quartile and upper quartile staff pay multiples within the organisation's workforce. Employees are ranked based on their total FTE remuneration from low to high. The employee remuneration placed at the 25th, 50th and 75th percentile point of the ranking is disclosed.

The full-time equivalent annualised total banded remuneration of the highest paid Director and the interquartile ranges (25%, 50% and 75%) member of staff excluding the highest paid Director are as shown in the following table:

	2022-23			2021-22		
	25th percentile of other staff	**Median of other staff**	**75th percentile of other staff**	**25th percentile of other staff**	**Median of other staff**	**75th percentile of other staff**
Highest paid Director remuneration (mid-point of pay band)		£97,500			£122,500	
All employees (excluding highest paid Director) Total pay and benefits	£29,108	£35,488	£54,794	£28,563	£38,751	£53,495
All employees (excluding highest paid Director) salary component only	£28,802	£34,957	£53,843	£27,963	£38,751	£52,381
Total pay ratio	3.3	2.7	1.8	4.3	3.2	2.3

During the year, no employees received remuneration in excess of the highest paid Director (2021/22: 1). Remuneration ranged from £19,800 to £100,000 (2021/22: £20,978 to £123,000).

The highest paid Director is the CEO. The reduction of 20% in the percentage change from prior year is due to the change in personnel and performance and bonus pay. The average percentage change in total pay and benefits from previous financial year in respect of the employees taken as a whole increased by 0.2% to £41,648 (2021-22: a decrease by 0.8% to £41,563).

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 officials 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 2022/23 or 2021/22 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). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted in the Senior Management Pension table below is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV (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 (audited)

Officials	Accrued pension at pension age as at 31/3/2023	Real increase in pension and related sum at pension age	CETV at 31/3/2023	CETV at 31/3/2022	Real Increase in CETV
A Seager Chief Executive	30 - 35 plus lump sum of 0	2.5 – 5.0 plus lump sum of 0	392	327	25
M Griffiths[1] Chief Operating Officer	20 - 25 plus lump sum of 0	0 - 2.5 plus of lump sum of 0	249	219	14
G Hall Director of Authorisations	40 – 45 plus a lump sum of 50 – 55	0 – 2.5 plus a lump sum[2] of -2.5 - 0	867	772	2

[1]As a result of a retrospective update to salary data, the closing balance in the previous year for CETV as at 31 March 2022 was updated from £217k to £219k
[2]Real decrease in lump sum

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:

Non-executive members	Salary (as defined above) £'000		Benefits-in-kind[1] to the nearest £100		Total £'000	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
J Drown	0 – 5	0 – 5	-	100	0 – 5	0 – 5
D Catlow	0 – 5	0 – 5	-	-	0 – 5	0 – 5
T Riley	0 – 5	0 – 5	400	-	0 – 5	0 – 5
P Hardwick	0 – 5	0 – 5	100	-	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 2023 we employed 166 permanent staff (163.6 FTE) (2021/22: 172 permanent staff; 168.4 FTE) and 21 temporary staff (21.0 FTE) (2021/22: 15 temporary staff; 14.6 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 2023 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

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

Staff	Permanently employed staff	Temporary staff	2022/23 Total	2021/22 Total
Scientific	53	3	56	51
Administrative	114	9	123	125
Staff engaged on capital projects	-	-	-	1
Total staff	**167**	**12**	**179**	**177**

The number of staff-in-post (headcount) by gender as at 31 March 2023 was as follows:

Staff	Male	Female	2022/23 Total	Male	Female	2021/22 Total
Directors on the Management Board	1	1	2	1	1	2
Officials on the Management Board	1	-	1	1	-	1
Other - Scientific	24	29	53	22	29	51
Other - Administrative	36	73	109	40	78	118
Total staff	**62**	**103**	**165**	**64**	**108**	**172**

Staff turnover

The agency uses Department Turnover (staff leaving the Civil Service or a particular department) as defined in the civil service turnover guidance in calculating its staff turnover.

The agency's turnover is calculated as the number of leavers within the year divided by the average of staff in post over the period. The average staff in post is calculated as the average of headcount over the period. Leavers include retirements, death in service, end of appointments, as well as dismissals and resignations and leavers under compulsory and voluntary redundancies.

The staff turnover during the year was 11.8% (2021/22: 11.9%).

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 2022/23 (2021/22: nil).
For all staff, there were no compulsory exits in 2022/23 (2021/22: nil).

Staff costs (audited) in £'000

Staff costs consist of the following:	Permanently employed staff	Temporary staff	2022/23 Total	2021/22 Total
Wages and salaries	7,346	687	8,033	7,765
Social security costs	901	-	901	796
Other pension costs	1,947	-	1,947	1,898
Gross total staff costs	**10,194**	**687**	**10,881**	**10,459**
Less amounts charged to capital projects	(40)	-	(40)	(1)
Sub-total as reported in the Statement of Comprehensive Net expenditure	**10,154**	**687**	**10,841**	**10,458**
Less recoveries in respect of outward secondments	(301)	-	(301)	(331)
Net total staff costs	**9,853**	**687**	**10,540**	**10,127**

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 2022/23, employers' contributions of £1,929,068 were payable to the PCSPS (2021/22: £1,876,481) at one of four rates in the range 26.6% to 30.3% (2021/22: 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 2022/23 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 £27,964 (2021/22: £27,064) were paid to one or more of the panels of three appointed stakeholder pension providers.

In addition, employer contributions of £765, 0.5% of pensionable pay (2021/22: £820) 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 £2,361 (2021/22: £2,224). 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 755 compared to 761 in 2021/22. The average working days lost per employee during the year was 4.5 compared to 4.6 in 2021/22.

Short term sickness absences of 10 days or less increased from 1.3 days per FTE in 2021/22 to 1.6 days per FTE in 2022/23.

Off-payroll engagements

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 2023.

Number of existing engagements as of 31 March 2023	38
Of which:	
Number that have existed for less than one year at time of reporting	15
Number that have existed for between one and two years at time of reporting	5
Number that have existed for between two and three years at time of reporting	9
Number that have existed for between three and four years at time of reporting	5
Number that have existed for four or more years at time of reporting	4

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 engaged during the period 1 Apr 2022 to 31 Mar 2023	47
Of which:	
Number not subject to off-payroll legislation	38
Number subject to off-payroll legislation and determined as in-scope of IR35	1
Number subject to off-payroll legislation and determined as out-of-scope of IR35	8
Number of engagements reassessed for compliance or assurance purposes during the year	21
Of which:	
Number of engagements that saw a change to IR35 status following the review	2
Number of engagements where the status was disputed under provisions in the off-payroll legislation	0

Off-payroll engagements of Board members and/or senior officials with significant financial responsibility between 1 April 2022 and 31 March 2023.

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 3 (1 CEO, 1 Director, 1 senior official) Non-Executive Directors x 4

Employment Legislation (IR35)
Employment Legislation (IR35), introduced in April 2017, requires public sector bodies to assess off-payroll workers employment status for tax and makes them liable for ensuring the correct tax is applied. VMD uses HM Revenue and Customs' own Check of Employment Status for Tax tool (CEST) as well as expertise from the Defra tax team and accompanying guidance to make those assessments.

During the financial year, VMD carried out a spot check and found three workers who are subject to the off-payroll legislation and determined as in-scope of IR35. The tax liability, £193k (including interest charges of £13k) for the period 2018-19 to 2021-22 was paid in January 2023. The tax liability, £54k for two workers who were still determined as in-scope of IR35 for the period 2022-23 was paid in Mar 2023. The figures have been included in the financial statements.

Over the period of reassessment following HMRC's enquiry into Defra's compliance with off-payroll legislation rules, the total tax liability amounts to £4.27m including interest charges of £0.16m. The liability has been settled in full. On May 2023, we signed a letter of offer from HMRC agreeing a three-month suspended penalty of £0.61m only payable on non-compliance to the penalty conditions.

Consultancy and temporary staff expenditure

£'000	2022/23	2021/22
Consultancy expenditure	2,400	2,591
Temporary staff expenditure	687	710
Total	**3,087**	**3,301**

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. There are also quarterly all staff update meetings led by EMB where all staff can participate. 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.

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 2022/23 (2021/22: 1 minor.)

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.

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.

2022/23	Income £'000	Cost £'000	Net Income £'000	Cost Recovery %
Veterinary pharmaceutical industry	7,755	7,755	-	100
Food industry	4,142	4,142	-	100
Total	**11,897**	**11,897**	**-**	**100**

2021/22	Income £'000	Cost £'000	Net Income £'000	Cost Recovery %
Veterinary pharmaceutical industry	6,014	6,014	-	100
Food industry	3,790	3,790	-	100
Total	**9,804**	**9,804**	**-**	**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.

During the financial year, an additional payment of £0.25m (2021/22: £4.02m) was made to HMRC for the reassessment of all our contractors following an HMRC enquiry into Defra's compliance with off-payroll legislation rules, for contingent labour in 2019. The liability has been settled in full.

Contingent liabilities
There were no contingent liabilities as at 31 March 2023 (31 March 2022: 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 2023 there are nil to report (31 March 2022: Nil).

Abigail Seager

Chief Executive
16th October 2023

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

Opinion on financial statements

I certify that I have audited the financial statements of the Veterinary Medicines Directorate for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Veterinary Medicines Directorate's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Veterinary Medicines Directorate's financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Veterinary Medicines Directorate's affairs as at 31 March 2023 and its 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 (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Veterinary Medicines Directorate 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 Veterinary Medicines Directorate’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 Veterinary Medicines Directorate'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 Veterinary Medicines Directorate is adopted in consideration of the requirements set out in HM Treasury’s Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is 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 financial statements and my auditor’s certificate and report 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.

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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

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

- 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Veterinary Medicines Directorate and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Veterinary Medicines Directorate or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Chief Executive as 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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Veterinary Medicines Directorate from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;

- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Veterinary Medicines Directorate'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 Accounting Officer anticipates that the services provided by the Veterinary Medicines Directorate 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Veterinary Medicines Directorate's accounting policies and key performance indicators.
- inquired of management, the Veterinary Medicines Directorate's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Veterinary Medicines Directorate's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Veterinary Medicines Directorate's controls relating to the Veterinary Medicines Directorate's

compliance with the Government Resources and Accounts Act 2000 and Managing Public Money.

- inquired of management, Veterinary Medicines Directorate's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including relevant internal specialists, including for Property regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Veterinary Medicines Directorate for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Veterinary Medicines Directorate's framework of authority and other legal and regulatory frameworks in which the Veterinary Medicines Directorate operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Veterinary Medicines Directorate. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, employment law, pensions and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated 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 risks of fraud to all engagement team members including internal specialists 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.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by

Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **Date 17 October 2023**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements
Statement of Comprehensive Net Expenditure
for the year ending 31 March 2023

Comprehensive Net Expenditure £'000	Note	2022/23	2021/22
Revenue from contracts with customers	2	12,657	10,363
Other operating income	2	1,195	853
Total operating income		**13,852**	**11,216**
Staff costs	3	(10,841)	(10,458)
Purchase of services	4	(6,622)	(7,019)
Non-cash costs	4	(1,779)	(2,126)
Other operating expenditure	4	(4,847)	(8,039)
Total operating expenditure		**(24,089)**	**(27,642)**
Net operating expenditure		**(10,237)**	**(16,426)**
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment		1,002	873
Comprehensive net expenditure for the year ending 31 March 2023		**(9,235)**	**(15,553)**

All income and expenditure are derived from continuing operations.

The notes on pages 53-70 form part of these accounts.

Statement of Financial Position
as at 31 March 2023

Financial Position £'000	**Note**	**2022/23**	**2021/22**
Non-current assets			
Property, plant and equipment	5	7,037	6,442
Intangible assets	6	7,438	6,953
Right of Use (ROU) assets	5	6	-
Total non-current assets		**14,481**	**13,395**
Current assets			
Trade and other receivables, contract assets	7	2,489	2,255
Cash and cash equivalents	8	2,770	3,738
Total current assets		**5,259**	**5,993**
Total assets		**19,740**	**19,388**
Current liabilities			
Trade and other payables, contract liabilities	9	(3,437)	(9,204)
Total current liabilities		**(3,437)**	**(9,204)**
Total assets less current liabilities		**16,303**	**10,184**
Non-current liabilities	9	(133)	(141)
Total assets less total liabilities		**16,170**	**10,043**
Taxpayers' equity and other reserves			
General fund		8,758	3,633
Revaluation reserve		7,412	6,410
Total equity		**16,170**	**10,043**

The notes on pages 53-70 form part of these accounts.

Abigail Seager
Chief Executive and Agency Accounting Officer
16th October 2023

Statement of Cash Flows
for the year ended 31 March 2023

Cash Flows £'000	Note	2022/23	2021/22
Cash flows from operating activities			
Net operating expenditure		(10,237)	(16,426)
Adjustments for non-cash transactions arising in the year	4	1,779	2,126
(Increase) / Decrease in trade and other receivables	7	(234)	1,450
(Decrease) / Increase in trade and other payables	9	(5,775)	3,807
Net cash outflow from operating activities		**(14,467)**	**(9,043)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	-	(43)
Purchase of intangible assets	6	(1,180)	(1,489)
Net cash outflow from investing activities		**(1,180)**	**(1,532)**
Cash flows from financing activities			
Supply current year		14,700	12,420
Payment of Lease liabilities		(21)	-
Net financing		**14,679**	**12,420**
Net (decrease)/ Increase in cash and cash equivalents		**(968)**	**1,845**
Cash at the beginning of the year	8	**3,738**	**1,893**
Cash at the end of the year	8	**2,770**	**3,738**

The notes on pages 53-70 form part of these accounts.

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2023

Changes in Taxpayers' Equity £'000	Note	General Fund	Revaluation Reserve	Total Reserves
Balance at 1 April 2021		**6,824**	**5,537**	**12,361**
Changes in taxpayers' equity for 2021/22				
Net Parliamentary Funding		12,420	-	12,420
Comprehensive net expenditure for the year		(16,426)	-	(16,426)
Non-Cash adjustments:				
Defra corporate recharges	4	582	-	582
Defra Investigation Services	4	176	-	176
Auditors' remuneration	4	57	-	57
Movements in Reserves:				
Net gain on revaluation of property, plant and equipment	5	-	873	873
Total recognised income and expense for 2021/22		**(3,191)**	**873**	**(2,318)**
Balance at 31 March 2022		**3,633**	**6,410**	**10,043**
Changes in taxpayers' equity for 2022/23				
Net Parliamentary Funding		14,700	-	14,700
Comprehensive net expenditure for the year		(10,237)	-	(10,237)
Non-cash adjustments				
Defra corporate recharges	4	489	-	489
Defra Investigation Services	4	120	-	120
Auditors' remuneration	4	53	-	53
Movements in Reserves:				
Net gain on revaluation of property, plant and equipment	5	-	1,002	1,002
Total recognised income/(expense) for 2022/23		**5,125**	**1,002**	**6,127**
Balance as at 31 March 2023		**8,758**	**7,412**	**16,170**

The notes on pages 53-70 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2022/23 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 have 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 accrual 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 Going concern

The financial statements cover the activities of the VMD and are prepared on a going concern basis. These statements comply with the principles laid out in the 2022/23 Government Financial Reporting Manual FReM issued by HM Treasury on IAS 1 interpretation of going concern for the public sector sponsored entities. Management have considered the financial position as of 31 March 2023, business activity forecast for the 2023/24 period and beyond, impact of the Civil Service Industrial action, the reliance on funding from DEFRA and the continuation of the regulatory services provided by the Agency and are content that the Agency’s services will continue to be provided. The VMD is an Executive Agency of the Department for Environment Food & Rural Affairs (DEFRA) and the department has agreed 2023-24 budget. The going concern disclosures on page 7 of the Annual Report detail in full the basis on which the Accounting Officer considers it appropriate to prepare these Accounts on a going concern basis.

1.3 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, 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 a 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, in line with IFRS 15 (The revenue measurement model is reported in Note 2).

Contract Assets: The Agency recognises when a performance obligation is satisfied in accordance with IFRS 15, when the work is complete. The contract assets balance relates to performance obligations satisfied over a period, on our statutory regulatory services delivered to customers, where costs have been incurred but not yet invoiced. The stage of completion is estimated based on legislative requirements and the terms and conditions of the arrangements in place.

Intangible assets: Management have made judgement on the acquisition of intangibles from outside the Agency and development of new intangibles through in-house innovation and its capitalisation as an intangible asset. The key judgement is whether the intangible would benefit the Agency. The assets acquired or developed internally undergo a review to ensure they meet the conditions outlined in IAS 38 Intangible assets, such as considering technical feasibility and the intention to complete and use internally generated assets under construction. They are reviewed on an annual basis against the criteria set out in IAS 38.

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. There is no active market for VMD property or interlinking Weybridge Estate. See note 1.4 below.

Non-current Assets/Depreciation: The Agency carries its non-current assets at fair value as stated in note 1.4 below. The charge for depreciation for each non-current asset is based on an estimate of its useful life.

1.4 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, (appointed by Defra) 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 by Defra’s appointed valuer, considering prevailing local and national indices and local knowledge.

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 (SoCNE).

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.

Assets are depreciated over the following timescales:

Freehold land	Not depreciated
Freehold buildings[1]	0 - 60 years
Furniture, fittings and office equipment	0 - 15 years
IT Hardware	0 - 5 years
IT Software development and licences	5 -10 years

[1]The residual life of the VMD building is 34 years as of 31 March 2023

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.

Impairment losses that arise from the consumption of economic benefit or reduction of service potential is recognised as an expense in the (SoCNE). However, if the loss relates to a revalued asset, any balance on the revaluation reserve (to the extent that a balance exists) is transferred to the general fund.

Impairment losses that arise from a change in market value is firstly offset against a revaluation reserve for the asset and any amount in addition to this is recognised as an expense 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.

1.5 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.

1.6 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.

1.7 Revenue from contracts with customers

Revenue from contracts with customers is recognised in accordance with IFRS 15 as adapted and interpreted for the public sector in the Government Financial Reporting Manual (FReM) from 2018-19.

VMD recognises revenue from contracts with customers in accordance with the five-stage model set out in IFRS 15. 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.

Significant judgements are required to assess the timing of revenue recognition based on the satisfaction of performance obligations. A performance obligation is a promise to deliver a good or service (or series of substantially the same good or service). Details of Agency's main performance obligations, how and when they are satisfied, and the determination of transaction prices, is detailed in Note 2.

1.8 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.

1.9 Defra Notional Recharges

A number of services are provided centrally by Defra and the cost is shown as notional recharges. They are charged against the SoCNE by virtue of an interdepartmental non-cash adjustment via the General Fund, with Core Defra recording the associated credit. Defra service recharges comprises legal, human resources, estates, corporate strategy and investigation and enforcement services.

1.10 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.

1.11 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.

1.12 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.

1.13 Cash and Cash Equivalents

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

1.14 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.

1.15 Revaluation Reserve

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

1.16 Leases

IFRS 16 “Leases” applied to the VMD from 1 April 2022. It introduces a single lessee accounting model that requires a lessee to recognise assets and liabilities for leases with a term of more than twelve months unless the underlying asset is of low value.

Under this policy, we recognise a right-of-use (ROU) asset representing the right to use the underlying leased asset and a lease liability representing an obligation to make lease payments on the Statement of Financial Position. Depreciation of the right-of-use asset and interest on the lease liability is accounted for in the Statement of Comprehensive Net Expenditure.

The right-of-use asset is initially measured at cost and is depreciated on a straight-line basis over the residual lease term. The lease liability is initially measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, a rate determined by HM Treasury and based on government’s incremental borrowing rate. A lease term is the non-cancellable period for which a lessee has the right to use an underlying asset. It includes the period covered by an option to extend the lease if the lessee is reasonably certain to exercise the option and the period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise the option.

On transition to IFRS16, the Agency assessed whether contracts are, or contain leases. Where a contract contains both lease and service components, only the lease component is capitalised. Where it is not possible to separate the lease from service components, we have the option to combine lease and service components and account for them as a single lease.

1.17 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. There are no newly issued standards relevant to the Agency.

2. Operating income

	2022/23	2021/22
Revenue from contracts with customers	**£'000**	**£'000**
Veterinary pharmaceutical industry		
Authorisations	3,374	2,559
Graded Annual and Fixed Fees	3,298	2,502
Inspections	1,083	953
Food industry	4,142	3,790
International	760	559
Other income		
Government: Devolved Administrations[(1)]	99	70
Government: EU grant	-	56
AMR Reference Centre[(1)]	755	378
Recoveries in respect of outward secondments	301	331
Other recovery of costs[(2)]	40	18
Total operating income	**13,852**	**11,216**

[1]Income for work undertaken for Government comprise of contributions from the devolved administrations 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 transaction price is the amount of consideration VMD expects to be entitled to in exchange for transferring promised goods or services in the future, excluding amounts collected on behalf of third parties. VMD considers the terms of the contract and its business practices in determining the transaction price as well as the impact of any variable consideration within a contract including any significant financing component and any non-cash consideration. The transaction price is allocated to each performance obligation identified and, therefore, represents the amount of revenue recognised as those performance obligations are satisfied.

Contract balances

£'000	2022/23	2021/22
Contract Asset	960	983
Contract Liabilities	1,012	1,042

Contract Liabilities

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	2023/24	2024/25	Total
Authorisations	714	133	847
Inspections	136	-	136
AMR Reference Centre	29	-	29
Total	**879**	**133**	**1,012**

As at 31 March 2023, the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied (or partially unsatisfied) is £1.012 million (31 March 2022: £1.042 million) as shown in Note 9. VMD will recognise this revenue as contracts are progressed to completion, which is expected to occur over the next 12 months.

Contract Assets

The following table includes revenue recognised in year related to performance obligations that are partially satisfied based on the stage of completion at the reporting date.

Business Area £'000	2022/23	2021/22
Residues Surveillance	832	886
Authorisations	72	-
Inspections	56	97
Total	**960**	**983**

The contract asset £0.960 million (31 March 2022: £0.983 million) represents the amount of consideration recognised as at 31 March 2023 when a performance obligation is satisfied however, the payment is still conditional on future performance. As shown in Note 7. The VMD's major type of income streams from contracts with customers 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. A contractual obligation is completed when a new Market Authorisation is granted, or an existing Market Authorisation is varied.	An invoice is issued on validation of an application. For each application there is an estimated time required to complete, based on the average time taken from historic record of applications of the same type. Income is deferred and recognised based on the percentage time completed, compared to the average time for the application type.	3,374
Graded annual and fixed fees for Marketing Authorisation and Inspection	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	3,298
Inspections	Inspection of manufacturers, wholesaler dealers, retailers of veterinary medicines and feed businesses	Invoiced upon completion of the inspection report	661
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	422
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	4,142
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	760

3. Staff costs

Staff costs consist of the following:	2022/23			2021/22
	Permanently employed staff	Temporary staff	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	7,346	687	8,033	7,765
Social security costs	901	-	901	796
Other pension costs	1,947	-	1,947	1,898
Gross total staff costs	**10,194**	**687**	**10,881**	**10,459**
Less amounts charged to capital projects	(40)	-	(40)	(1)
Sub-total as reported in the Statement of Comprehensive Net Expenditure	**10,154**	**687**	**10,841**	**10,458**
Less recoveries in respect of outward secondments	(301)	-	(301)	(331)
	9,853	**687**	**10,540**	**10,127**

Included in the permanently employed staff costs is an accrual for untaken annual leave of £219,000, (2021/22: £302,000).

4. Other non-staff operating expenditure

		2022/23	2021/22
Purchase of services	**Note**	**£'000**	**£'000**
Statutory Residues Surveillance		3,665	3,458
Research and Development Programme		1,149	1,364
Government Secure Freight		-	874
Distance Learning Portal		-	11
Antimicrobial Resistance Programme and Surveillance		766	521
Antimicrobial Resistance Reference Centre		1,025	760
Other direct sub-contracted services		17	31
Sub-total purchase of services		**6,622**	**7,019**
Non-cash items			
Depreciation of property, plant and equipment	*5*	407	365
Amortisation of intangible assets	*6*	695	669
Impairment of intangible assets	*6*	-	277
Depreciation of Right-of-Use assets	*5*	15	-
Defra service recharges:			
Estates maintenance		327	323
Human resources		113	176
Defra Investigation Services		120	176
Legal services		49	83
Auditors' remuneration		53	57
Sub-total non-cash items		**1,779**	**2,126**
Other operational expenditure			

Professional programme and technical services	2,396	2,591
IT systems maintenance	1,141	940
Travel and subsistence[1]	482	35
Training	102	44
Staff related costs	135	98
Communications	60	68
Office related goods and services	149	105
Operating leases	14	36
Internal Audit	45	39
Stationery and publications	32	31
Independent expert committees	16	11
Customer relations and publicity	4	9
Movement on expected credit loss	(7)	-
IR35 – Contractor Tax and NI	234	3,877
Other costs[1]	44	155
Sub-total other operating expenditure	**4,847**	**8,039**
Total non-staff operating expenditure	**13,248**	**17,184**

[1]Increase in Travel and Subsistence is due to the lifting of government restriction (the coronavirus pandemic) both in UK and worldwide.

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

5. Property, plant and equipment

	Land	Buildings	Information Technology	Furniture & Fittings	ROU Motor Vehicles	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation:						
At 1 April 2022	340	5,889	727	315	-	7,271
Adoption of IFRS 16 Leases	-	-	-	-	21	21
Additions	-	-	-	-	-	-
Disposals	-	-	(28)	(6)	-	(34)
Revaluation	12	597	20	29	-	658
At 31 March 2023	**352**	**6,486**	**719**	**338**	**21**	**7,916**
Depreciation:						
At 1 April 2022	-	-	(609)	(220)	-	(829)
Charged in year	-	(380)	(18)	(9)	(15)	(422)
Disposals	-	-	28	6	-	34
Revaluation	-	380	(16)	(20)	-	344

At 31 March 2023	**-**	**-**	**(615)**	**(243)**	**(15)**	**(873)**
Carrying Value						
At 31 March 2023	**352**	**6,486**	**104**	**95**	**6**	**7,043**
Cost or Valuation:						
At 1 April 2021	316	5,362	692	323	-	6,693
Additions	-	-	43	-	-	43
Disposals	-	-	-	(17)	-	(17)
Revaluation	24	527	(8)	9	-	552
At 31 March 2022	**340**	**5,889**	**727**	**315**	**-**	**7,271**
Depreciation:						
At 1 April 2021	-	-	(581)	(221)	-	(802)
Charged in year	-	(320)	(35)	(10)	-	(365)
Disposals	-	-	-	17	-	17
Revaluation	-	320	7	(6)	-	321
At 31 March 2022	**-**	**-**	**(609)**	**(220)**	**-**	**(829)**
Carrying Value						
At 31 March 2022	**340**	**5,889**	**118**	**95**	**-**	**6,442**
At 31 March 2021	316	5,362	111	102	-	5,891

Land and buildings are subject to professional valuation at no more than five yearly intervals. These are carried out by professionally qualified independent valuers (Montague Evans), in accordance with the guidance issued by the Royal Institution of Chartered Surveyors. The most recent valuation at the Core department was completed in March 2020. A desktop valuation report is provided during the intervals. As of 31 March 2023, VMD’s Land and Buildings is valued at £6.838m, a net increase of £0.609m from the valuation at 31 March 2022 (£6.229m).

Land is valued based on the Existing Use Value (EUV) for non-specialised operational assets and land, and Buildings are valued using the Depreciated Replacement Cost (DRC) method of valuation with the cost assessed to provide the building on a modern equivalent asset basis. Valuation is based on information provided by the Defra group to the valuers with regard to the RICS Build Cost Information Service (BCIS) cost indices which is relevant at the date of valuation for the site. The revaluation relied on the BCIS location weightings. The RICS BCIS costs is applied according to the use categorisation. This review also considers the remaining economic life of the buildings.

All VMD’s assets are owned, and none are held under finance leases.

Right-of-Use asset is for six motor vehicles leased from 2018 for a period of four years with an option to extend by one year. As of 1 April 2022, the right-of-use value recognised in line with IFRS16 is £21k (2021/22: £nil). As of 31 March 2023, the net book value is £6k (2021/22: £nil). Total liabilities included in the SoFP is £6k. The related disclosures are shown on note 11.

6. Intangible assets

	Internally Generated Software	IGS - Assets Under Construction	IT Software and licences	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation:				
At 1 April 2022	6,295	1,429	980	8,704
Additions	-	1,138	42	1,180
Reclassification	-	-	-	-
Impairments	-	-	-	-
Disposals	-	-	-	-
At 31 March 2023	**6,295**	**2,567**	**1,022**	**9,884**
Amortisation:				
At 1 April 2022	(1,283)	-	(468)	(1,751)
Charged in year	(630)	-	(65)	(695)
Impairments	-	-	-	-
Disposals	-	-	-	-
At 31 March 2023	**(1,913)**	**-**	**(533)**	**(2,446)**
Carrying Value				
At 31 March 2023	**4,382**	**2,567**	**489**	**7,438**
Cost or valuation:				
At 1 April 2021	6,295	575	622	7,492
Additions	-	1,131	358	1,489
Reclassification	-	-	-	-
Impairments	-	(277)	-	(277)
Disposals	-	-	-	-
At 31 March 2022	**6,295**	**1,429**	**980**	**8,704**
Amortisation:				
At 1 April 2021	(654)	-	(428)	(1,082)
Charged in year	(629)	-	(40)	(669)
Impairments	-	-	-	-
Disposals	-	-	-	-
At 31 March 2022	**(1,283)**	**-**	**(468)**	**(1,751)**
Carrying Value				
At 31 March 2022	**5,012**	**1,429**	**512**	**6,953**
At 31 March 2021	**5,641**	**575**	**194**	**6,410**

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 £0.476m; Licencing £0.974m; Adverse Event Reporting

£1.660m; Service Hub £0.507m; Secure Messaging £0.307m; Cloud Infrastructure £0.458m.

The Adverse Event Reporting system was brought into use in April 2019 with additions in March and April 2020. It has a remaining amortisation period of six years. The other systems were brought into use in September 2020 they have a remaining amortisation period of seven years.

The net book value for Assets under construction includes the following:

Identity & Access Management (IDAM) £0.558m of which £0.341m was added in March 2022 and £0.217m in March 2023. IDAM will enable external and internal users to give fine grained permissions for access and actions within the VMD services. Plans to make IDAM live are currently under review, the decision on the next steps is expected in October 2023.
Special Imports System (SIS) £2.009m of which £0.790m was added in March 2022 and £0.921m in March 2023. SIS allows veterinary surgeons to apply to import veterinary medicines into the UK when the product is available on the UK market, and we are aiming to have that service live in October 2023.

There is no impairment identified during the year (2021/22: £0.277m).

The net book value for IT Software and licences includes Pharmacovigilance software for adverse event report processing and analysis £0.307m, development costs for expenses@work system £0.104m which was brought into use in Dec 2022 and other purchased software £0.078m.

Cash additions (adjusted for capital accruals) shown in the SoCF amount to £1,180,000 (2021/22 £1,489,000).

7. Trade receivables and other current assets

Amounts falling due within one year	**31-Mar-23**	**31-Mar-22**
	£'000	**£'000**
Amounts falling due within one year:		
Trade receivables	746	849
Other receivables	11	12
VAT recoverable	406	226
Prepayments	366	185
Contract Assets	960	983
Total trade receivables and other current assets	**2,489**	**2,255**

Trade receivables are shown net of a provision of £31,000 (2021/22: £39,000) for expected credit loss. The provision is calculated according to the age and status of the debt and recent sector-specific debt-recovery information.

8. Cash and cash equivalents

	2022/23	2021/22
	£'000	**£'000**
Balance at 1 April 2022	3,738	1,893
Net change in cash and cash equivalents	(968)	1,845
At 31 March 2023	**2,770**	**3,738**

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

9. Trade payables and other current liabilities

	31-Mar-23	31-Mar-22
	£'000	**£'000**
Amounts falling due within one year:		
Trade payables	517	143
Other taxation and social security	403	4,264
Accruals	1,632	3,896
Lease liability	6	-
Contract liabilities	879	901
Total trade payables and other current liabilities	**3,437**	**9,204**
Amounts falling due after more than one year		
Contract liabilities	133	141
Total trade payables and other liabilities	**3,570**	**9,345**

10. Capital commitments

There were no contracted capital commitments at 31 March 2023 (31 March 2022: nil).

11. Leases

Disclosures around Right-of-Use asset

	31-Mar-23	31-Mar-22
	£'000	**£'000**
Balance at 1 April 2022	-	-
IFRS 16 opening balance	21	-
Depreciation expense on ROU asset	(15)	-
At 31 March 2023	**6**	**-**

Disclosures around lease liabilities
Obligations under leases for the following periods comprise:

	31-Mar-23	31-Mar-22
	£'000	**£'000**
Balance at 1 April 2022	-	-
Lease liability on adoption of IFRS16	21	-
Lease payments	(15)	-
Interest expense on lease liabilities*	-	-
At 31 March 2023	**6**	**-**

*Interest expense on lease liabilities is £0.23k

	31-Mar-23	31-Mar-22
	£’000	**£’000**
Not later than on year	6	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Present value of obligations	**6**	**-**

12. Other financial commitments

The agency benefits from certain services that are provided centrally by Defra, including Mitie facilities management. These services are agreed and managed through service level agreements between the Agency and Defra but the contractual commitments underlying these arrangements are made by the core Department and disclosed in their accounts. The total charge made by Defra in the current year for Estate Maintenance and Facilities Management services was £327k (2021-22: £323k) as disclosed in note 4.

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 Cabinet Office, Food Standards Agency, Food Standards Scotland, Medicines and Healthcare products Regulatory Agency, and The Scottish Government.

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 Commons 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.

There are no events after the reporting period that will have a material effect on VMD’s Annual Report and Accounts.

Veterinary Medicines Directorate
Woodham Lane
New Haw
Addlestone
Surrey
KT15 3LS

E02914636
978-1-5286-4398-6