Veterinary Medicines Directorate

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

Annual Report and Accounts 2023/24

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Performance Report

This section of the report aims to help you understand the Veterinary Medicines Directorate. It describes the objectives, achievements and the key risks that we face in achieving our objectives during the year.

Foreword by Chief Executive

I am proud of the VMD and all we have achieved this year. As CEO, it is a privilege to lead an organisation with such deep scientific expertise and broad policy and delivery remit. We continue to deliver on all aspects of our responsibilities to an excellent standard, the success of which is due to the dedication and hard work of the VMD colleagues, both in what we do and how we go about it.

We continued to successfully contribute to the animal health-specific aspects of the cross-government vision for tackling Anti-microbial resistance. The first five-year National Action Plan 2019-2024 led to significant and positive action toward reducing the negative impact of AMR in the UK and globally.

In November we published the annual Veterinary Antibiotic Resistance and Sales Surveillance report, in which we reported a further drop in UK use of antimicrobials in animals, bringing us to a 59% reduction in total sales of antibiotics and an 82% reduction in Highest Priority Critically Important Antibiotics between 2014 and 2022.

We have enhanced our international presence; both in leadership and influence in driving standards for medicine regulation and in policy and operational delivery collaboration with other regulators and delivery partners.

The past year has not been without challenge, especially when it comes to resource. But we have successfully navigated through new risks specifically around emerging disease, and supply chain disruption and in doing so still delivered strong results.

The culmination of working across policy and delivery together was the laying of the revised Veterinary Medicines Regulations.

Looking ahead, we are focused on continually improving our delivery performance and facing into policy development covering our hot topic issues such as vaccine availability and innovation, together with the implementation of the revised regulations.

I would like to take this opportunity to thank the executive and non-executive board for their support and the VMD colleagues for their diligence.

Together, we will continue to build on our successes and seize the opportunities that lie ahead.

Statement by the Chair of the Management Board

Since I was appointed to chair VMD's Management Board in August 2023, I have very much enjoyed learning more about the surprisingly wide remit of this small organisation, and the (often global) impact that colleagues have on securing the safety of the human food chain through their work in regulating veterinary medicines, and supporting slowing the development and spread of anti-microbial resistance.

During the year, and in addition to an already very busy schedule of regulatory work, VMD has been required to provide expert advice on a diverse range of issues, including outbreaks of animal diseases such as Avian Influenza and Bluetongue, the resolution of interruption to trade within the UK, and vaccine supply chain resilience, as well as shepherding new legislation through the parliamentary process. Resourcing this very busy schedule has proved a considerable challenge for colleagues, and I would like to record my personal thanks and admiration for their commitment and professionalism.

A change of chair always creates the opportunity to refresh the organisation's governance, and it has been a pleasure to work with non-executives in a review of board effectiveness, which we will continue to take forward in the year ahead. Finally, I would like to thank executive colleagues, who have worked tirelessly, with limited resources, to optimise the achievement of VMD for the benefit of our customers and stakeholders.

Alison J White
Chair of Management Board

Who we are

The Veterinary Medicines Directorate (VMD) is an executive agency of the Department for Environment, Food and Rural Affairs (Defra) and the UK Competent Authority for veterinary medicines regulation. Our objective is 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 medicines pose the minimum possible risk to human health and the environment.

Our relationship with Defra

The Defra strategy sets out a shared vision and a set of strategic objectives for the Defra group. It provides a clear vision, direction and shared framework of improving and protecting our environment by making our air purer, our water cleaner, our land greener and our food more sustainable. Actions to achieve the strategic objectives are described in more detail in Defra's Outcome Delivery Plan. Defra and VMD share the objective to protect public health and meet high standards of animal welfare.

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.

What we do

We are the regulatory and policy lead body responsible for issues concerning the authorisation, manufacture, supply and use of veterinary medicines in the UK to protect public and animal health and the environment, and to promote animal welfare by assuring the safety, quality and effectiveness of veterinary medicines.

We are responsible for:

- making, updating and enforcing the Veterinary Medicines Regulations
- assessing applications for, and granting, marketing authorisations to enable companies to sell their veterinary medicines
- regulating how veterinary medicines are manufactured and distributed
- monitoring and acting on reports of adverse events from veterinary medicines
- testing for residues of veterinary medicines or illegal substances in animals and animal products.

We work in close collaboration with veterinary professionals, the livestock industry and other public and private sector stakeholders to implement the Government's current 2019-2024 Antimicrobial Resistance Strategy. This is part of the Government's 20-year vision on Antimicrobial Resistance, and we are also leading the veterinary side of the development of the next 5-year action plan.

We also leverage international collaboration opportunities in the post-EU landscape to advance global regulations and joint applications and have an active programme of supporting low and middle-income countries improve their regulation of veterinary medicines.

More detail on our aims and responsibilities is available on GOV.UK along with information about our operating structure and governance.

Organisational structure

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

More details on our governance structure can be found in the Governance Statement on page 32.

Performance overview

Our professional and committed staff continued to deliver our vital regulatory functions, against a backdrop of challenges to resourcing, which has stretched them to the limit. They are VMD's finest asset. A summary of our performance over the period is reported below.

The year was characterised by multiple out-of-the-ordinary events, including outbreaks of animal diseases such as avian influenza and bluetongue; the resolution of interruption to trade within the UK, originally caused by the Northern Ireland Protocol, and resolved by the Safeguarding the Union agreement; and challenges to vaccine supply chain resilience, caused by changes in manufacturing strategies and economic viability. All of these issues required expert intervention by VMD.

We substantially delivered our core regulatory services against published standards. More detail on our performance can be found on the Performance Analysis section.

Performance overview

National Applications

Year	Number	Average Performance
2023-24	2,885	99%
2022-23	2,796	100%
2021-22	2,086	100%

Other Applications

Year	Number	Average Performance
2023-24	5,560	80%
2022-23	5,113	99%
2021-22	5,091	99%

European (NI) applications

Year	Number	Average Performance
2023-24	451	100%
2022-23	376	100%
2021-22	406	100%

Public Assessment Reports

Year	Number	Average Performance
2023-24	186	100%
2022-23	170	100%
2021-22	187	100%

Number of unreturned documents

Year	Number	Average Performance
2023-24	4,472	97%
2022-23	4,293	98%
2021-22	4,302	98%

Product defects received

Year	Number	Average Performance
2023-24	92	100%
2022-23	61	100%
2021-22	52	100%

Adverse Event Reports and PSURs

Year	Number	Average Performance
2023-24	10,671	97%
2022-23	10,065	100%
2021-22	10,625	100%

Import, Export and Batch Release Schemes

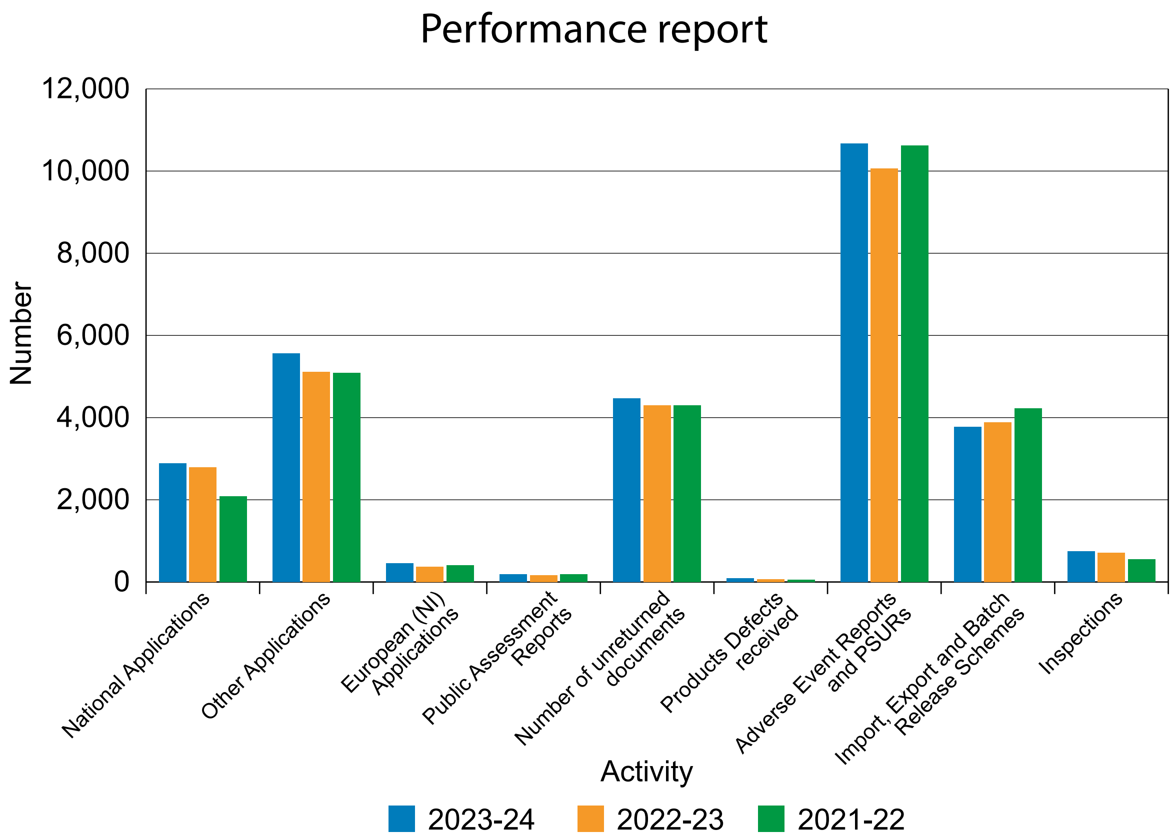
Year	Number	Average Performance
2023-24	3,781	99%
2022-23	3,886	100%
2021-22	4,230	99%

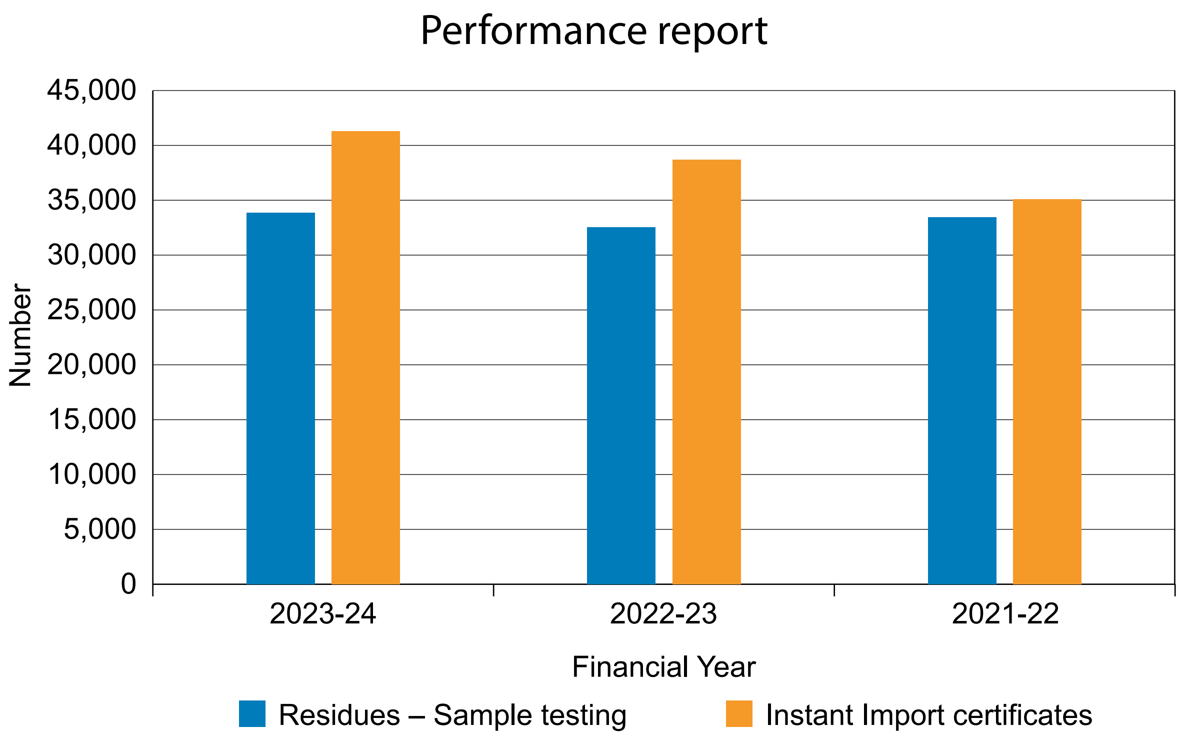
Residues – Sample testing

Year	Number	Average Performance
2023-24	33,868	99%
2022-23	32,544	99%
2021-22	33,444	99%

Inspections

Year	Number	Average Performance
2023-24	745	100%
2022-23	707	99%
2021-22	553	100%



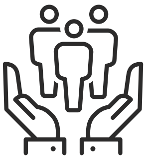
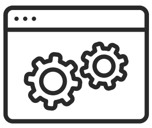


We continued to successfully contribute to the animal health-specific aspects of the cross-government 20-year AMR vision and 5-year action plan. The first five-year National Action Plan for antimicrobial resistance, 'Tackling antimicrobial resistance 2019 to 2024,' led to significant and positive action toward reducing the negative impact of AMR in the UK and globally. In 2023, we funded the launch of an online training initiative, providing over 20 hours of continuous professional development relating to improving how antibiotics are used in dogs, cats and horses. This included practical modules looking at different diseases and conditions where antibiotics are used and modules on diagnostics, behaviour change and infection control, complementing the recent companion animal initiatives. One of our notable achievements is the development of improved surveillance systems and a further reduction in the use of antibiotics in food-producing animals.

The next 5-year National Action Plan, 'Confronting antimicrobial resistance 2024-2029', will build on the successful reduction of antibiotic use in animals over the past decade, including expanding stewardship work to the companion animal and equine sectors.

Towards the end of the year, new legislation was introduced in Parliament (on 4 March) to modernise the Veterinary Medicines Regulations (VMR) and maintain the UK as an attractive place to develop and market veterinary medicines. The new regulations seek to reduce regulatory burdens and help tackle antimicrobial resistance by increasing restrictions on the use of antibiotics. The amendments to the VMR 2013 became effective on 17 May 2024.

Our objectives and key performance indicators

Objectives and key performance indicators		Progress
1. Our people To ensure we maintain a well-trained, motivated and content workforce that nurtures our diversity. **KPI:** Increase our Civil Service People Survey engagement score percentage from prior year.		**Met:** Despite the resource pressures, there was an increase of 2% in the annual Civil Service People Survey engagement score to 63%. This was due to a sustained effort to engage with our people, providing workshops to respond to the results and issues from the survey and through various means, demonstrating that we value them and their contributions to the success of the VMD.
2. Policy making and delivery To contribute to the delivery and implementation of the GB Veterinary Medicines Regulations. **KPI:** Process revisions to digital services and other IT developments are identified and progressed by March 2024.		**Substantially met:** The changes required to digital services and other IT amendments were delivered in a timely manner, which enabled the legislation and ancillary documents amending the Veterinary Medicines Regulations in respect of Great Britain to be laid before Parliament on 4 March 2024.
3. Regulatory Service To deliver core regulatory services with overall performance against published standards at or above the effective level. **KPI:** Achieve above effective target.		**Substantially met:** 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 a summary of product characteristics are published on gov.uk.

Objectives and key performance indicators	Progress
4. Global influence and recognition a) To facilitate the availability of medicines to treat animals or prevent disease outbreaks. **KPI:** Develop a long-term action plan. b) To support the capacity strengthening efforts of other international regulatory authorities. **KPI:** Complete deliverables as agreed with our funders.	a) **Met:** We have a shared understanding with key stakeholders and is committed to developing a long-term action plan. b) **Substantially met:** We successfully completed the deliverables agreed with our funders. The key highlights of these activities are detailed in the Performance Analysis section.
5. Business compliance a) To maintain full cost recovery for regulatory services. b) To maintain business certification against ISO 9001 and ISO 27001.	a) **Met:** We maintained full cost recovery for regulatory services for 2023/24. b) **Met:** Following the annual independent interim audit of both ISO standards we retained our certification.
6. Net Zero, the environment and sustainability To contribute to meeting Defra's aims on sustainability, carbon reduction and protecting the environment.	**Substantially met:** We continued to support Defra in the wider delivery of Net Zero, the environment and sustainability targets, including supporting research into medicines for pollinators.

Outcome Key

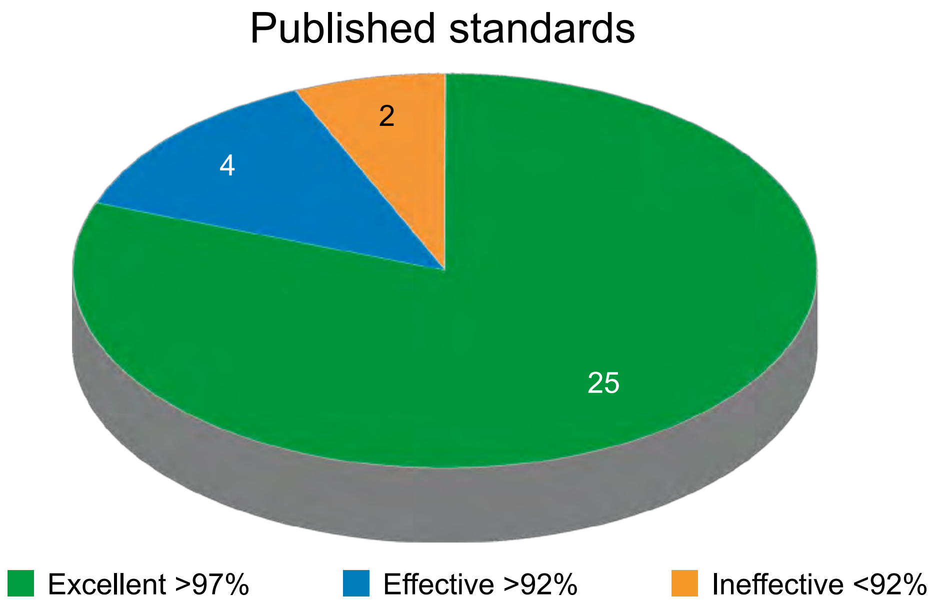
- Met: 100%
- Substantially met: between 95% and 99%
- Partially met: between 75% and 94%
- Not met: less than 75%

Performance analysis

Regulatory activities

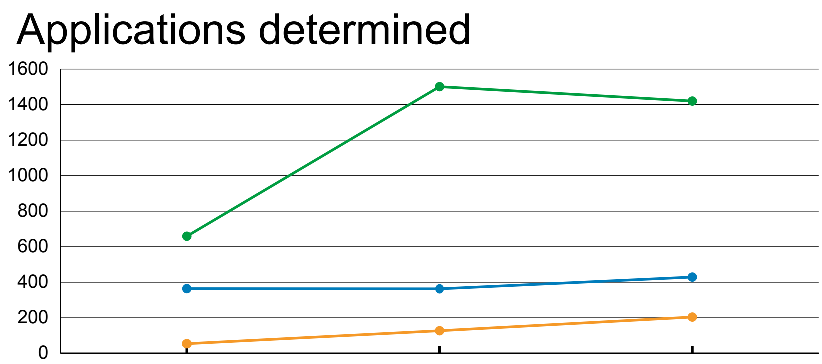
Authorisation Division

The team faced significant challenges during the year, yet still delivered in meeting the needs and expectations of our stakeholders. Of the 31 published standards for 2023/24, twenty-five were delivered at least 97% of the time to the required deadline; four KPIs were delivered at least 92% of the time, and two others were delivered at least 67% of the time.



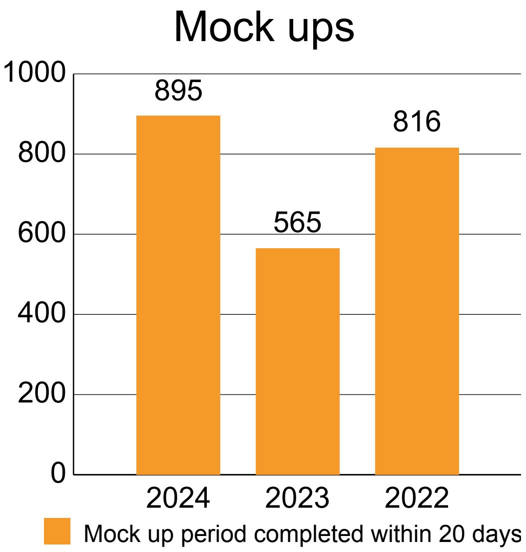
The number of applications determined, including applications for new marketing authorisations and variations, increased from 2021/22, and we experienced difficulties throughout the year with recruitment and retention, at times carrying up to 20 vacancies across the various scientific and administrative teams. This was all in the backdrop where procedures were more complex as we ran them in parallel (where possible) with the equivalent EU procedure to obtain, whenever possible, products with UK-wide coverage and common labelling. We also saw the submission of more complex dossiers, which, under EU procedures, would have been submitted to the European Medicines Agency (EMA) under the centralised procedure.

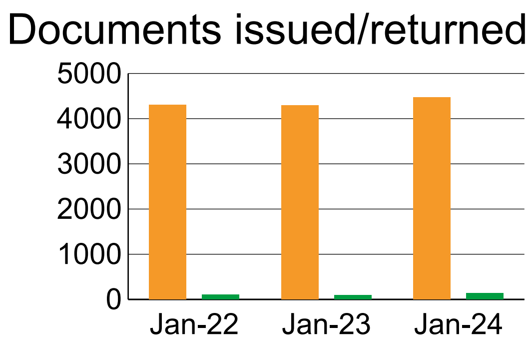
Throughout the year, our staff achieved significant milestones, issuing 122 new marketing authorisations covering GB and NI. This is a testament to their dedication and hard work. Additionally, the independent Veterinary Products Committee (VPC) provided us with a substantial rating against the quality of its scientific assessments, further highlighting the team's achievement.



	2022	2023	2024
Standard timetable (National Type II variations. New MA - MAPIs and Copycats. New VHRs)	54	127	204
Shortened timetable (National Renewals (MA and VHR) Type IB variations. New ATC (type B). Out of Scope MRLs)	364	363	429
Minor timetable (National) Type IA variations. Administrative Type IB variations. New ATC (Type A/S). ATC variations and renewals.	659	1501	1420

We saw a similar picture when assessing product packaging. Despite the increased number of documents issued, the number issued correctly the first time remained exceptionally high.





	Mar-22	Mar-23	Mar-24
Documents issued	4302	4293	4472
returned	102	97	144

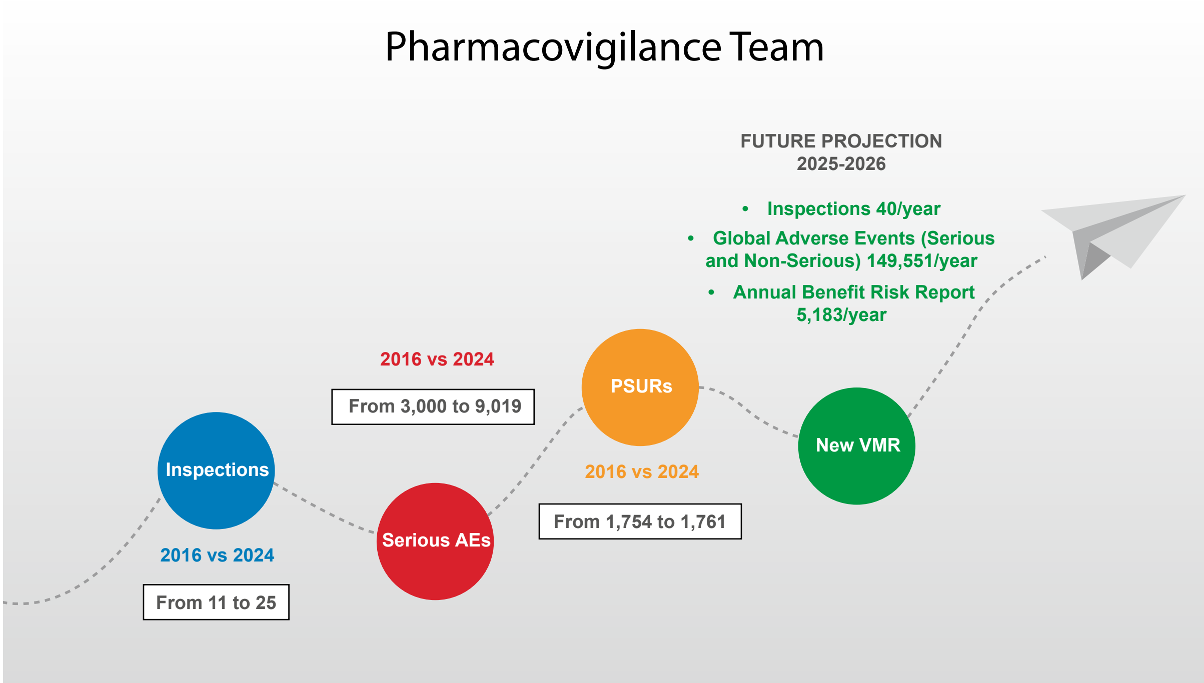
Other notable outcomes include:

- The Biologicals Team was part of the UK Avian Influenza Vaccination Taskforce, liaising with manufacturers and providing advice to Defra as necessary. Similar activities took place with the occurrence of other disease incursions, such as Blue Tongue Virus 3.
- We instigated and led the first meeting of the cross-government Group on Pharmaceuticals in the Environment (PIE). The inaugural meeting was held in July 2023, with at least two other meetings taking place during the year.

Evidence gaps were identified, including the need to understand better the impacts of fipronil and imidacloprid on aquatic ecosystems and the potential effects on animal health and welfare, and to a lesser extent impacts on human health, should there be a change in usage patterns of ectoparasiticides in companion animals. Our commissioned research paper, *'Down the Drain'*, was published.

- Vaccine availability continued to gain prominence, with both short-term and longer-term availability gaps coming to the fore, particularly in ruminants. Ensuring the availability of vaccines is complex and multi-factorial. In November 2023, we initiated a roundtable discussion involving vaccine manufacturers, species representative groups, the National Office of Animal Health (NOAH), the Animal Health and Welfare Board England and others. There is no single solution, so each party presented the situation from their perspective. We now have a shared understanding and are committed to developing a long-term action plan.
- On international engagement, to support the Memorandum of Understanding (MoU) we have in place, we agreed joint review processes with Swissmedic and the Australian Pesticides and Veterinary Medicines Authority (APVMA). It is worth noting that we completed the assessment of the first product submitted under the joint review process we have with the Veterinary Drugs Directorate in Canada. Also, in the spirit of continued collaboration, we signed an Exchange of Letters with the Centre for Veterinary Medicines in the USA.
- The Windsor Framework Coordination Team worked at pace in seeking a long-term sustainable resolution concerning the availability of veterinary medicinal products in Northern Ireland. As part of the Windsor Framework Agreement, we met the Commission milestones set for September, January, and April. Regular meetings were held with stakeholders, and weekly, monthly, and quarterly meetings were held with Defra, the Windsor Framework Task Force, and the Department of Agriculture, Environment, and Rural Affairs (DAERA). We supported and attended the newly formed Ministerially Chaired Veterinary Medicines Working Group.
- Over 100 delegates participated in a well-attended antiparasitic symposium in August 2023, which showcased our funded projects. The CANTER (Controlling ANTiparasitic resistance in Equines Responsibly) group has also held three meetings, with efforts focused on developing responsible use guidelines for equines.

The Pharmacovigilance Team's work is a critical aspect of our post-marketing surveillance. The team experienced an increase in the number of adverse event reports received compared to 2022/23, at a time when a new fit-for-purpose reporting system was being introduced and while preparing for the new GB regulations, which will result in a move away from Periodic Safety Update Reporting (PSUR) on a three-yearly cycle to reviewing annual benefit risks reports.



The bi-annual customer survey was held late in the year. The survey was facilitated by an independent company with anonymised feedback. It comprised an in-depth qualitative discussion with a reflective sample of marketing authorisation holders, supported by a wider ranging quantitative online survey. (We are still analysing the feedback received and will publish our findings in due course.) The headline message, however, was that our stakeholders remain satisfied with our performance in virtually all areas. However, compared to previous surveys, those reflecting satisfaction at the top end of the scale dropped, which reflected the challenges faced during the year regarding resourcing, volumes and complexity.

Inspection and Enforcement Division

We conducted 889 inspections of manufacturers, wholesale dealers, and retailers of veterinary medicines and 149 inspections of manufacturers and distributors of medicated animal feeds. This is 150 less than in 2022/23 due to the loss of two inspectors part-way through the year (one on maternity leave and the other to take a career break). It can take up to two years to recruit and fully train an inspector, so losing two experienced staff members meant we had to amend our inspection targets mid-year. Nevertheless, we achieved the revised targets and all admin-related KPIs (inspection performance against KPIs is published on GOV.UK).

We continued to collaborate with our UK regulatory partners, including the Medicines and Healthcare Regulatory Agency (MHRA) and the Royal College of Veterinary Surgeons (RCVS), to ensure our respective inspection procedures are equivalent to international inspectorates. This included conducting two overseas good manufacturing practice (GMP) inspections with EU inspectors.

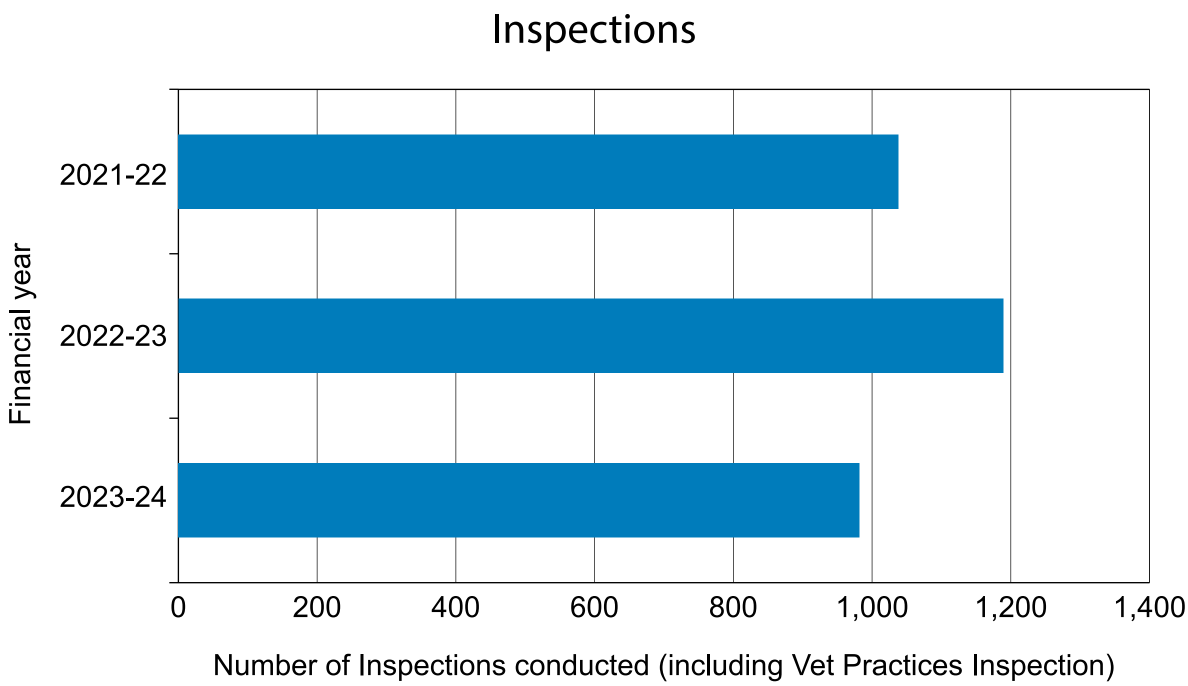
We achieved excellent feedback from our inspections. We issued a feedback form to every business we inspected and received 107 completed forms, giving an overall inspection rating of 4.93 out of 5.

We continued to work with a wide range of enforcement partners within the UK and globally to tackle the illegal use of veterinary medicines. In particular, we took part in a joint operation at Langley Sorting Hub, Heathrow, with the US Food and Drug Administration (FDA), where we seized nearly 7,000 veterinary products destined for the US. The products included a large number of flea and tick treatments and wormers.

We participated in the Working Group of Enforcement Officers (WGEO), where we gave the keynote presentation at its Autumn meeting in Spain.

We introduced an anonymous reporting platform and hotline phone number. The reporting platform proved to be successful, with c.1,000 reports received during the year.

We expanded the capabilities of our Intelligence Unit by having our intelligence officers join a 15-month Intelligence Analyst apprenticeship. This yielded immediate results, with noticeable improvements in our intelligence skill sets.



Legislation Office

During the year, we made substantial progress in delivering and implementing new legislation for veterinary medicines in Great Britain.

We published the Post-Implementation Review, a statutory requirement of the Veterinary Medicines Regulations 2013, on 6 December 2023. The review concluded that the Regulations no longer effectively met their objectives and required updating.

We published the government response to the public consultation on proposed changes to the Veterinary Medicines Regulations 2013, in respect of Great Britain, on 2 February 2024. This provided clarity on the direction of travel for our stakeholders ahead of the legislation being finalised and approved. The response set out the changes we made in response to the consultation feedback, which was well-received.

We dealt with a review of the intended changes to our Regulations by the Animal Sentience Committee, which assessed that we had adequately considered animal welfare during the development of our policies.

The statutory instrument was finalised and underwent the required legal checks. On 4 March 2024, the Veterinary Medicines (Amendment etc.) Regulations 2024 were laid in draft before Parliament. With the statutory instrument, we also provided draft guidance reflecting the changes and an explanatory memorandum explaining the context, content and intention of the instrument. We delivered the required ancillary documents to a high standard and publicly received positive feedback.

Antimicrobial Resistance

Working with DHSC and across the Defra group, we coordinated the development of the Animal, Plant, Food, and Environmental elements of the 2024-2029 AMR National Action Plan (NAP). This plan was developed in consultation with a broad range of stakeholders across different sectors and informed by the findings from the AMR Call for Evidence. The NAP sets out challenging ambitions and actions for the next five years across the whole of the UK that will set us on course for achieving our long-term national and international ambitions.

Internationally, we worked with colleagues in other countries to progress global action on AMR through bilateral and multilateral engagement, particularly in the long run-up to the AMR High-Level Meeting at the UN General Assembly in September 2024. As part of this work, we supported the UK Chief Veterinary Officer, Christine Middlemiss, on the Steering Committee of the Quadripartite AMR platform representing national governments, which the Food and Agriculture Organisation of the UN hosts.

We published our annual Veterinary Antibiotic Resistance and Sales Surveillance (VARSS) report in November, in which we reported a further drop in UK use of antimicrobials in animals, bringing us to a 59% reduction in total sales of antibiotics and an 82% reduction in Highest Priority Critically Important Antibiotics between 2014 and 2022. For AMR, trends over time showed overall reducing levels of resistance in bacteria isolated from healthy UK livestock.

In December, together with the UK Health Security Agency (UKHSA), we published the latest One Health Report: Joint Report on Antibiotic Use, Antibiotic Sales and Antibiotic Resistance. This report brought together AMR and AMU surveillance datasets from across the one health spectrum to gain insights and inform future work. In this latest report, setting the data side by side shows, for example, that in the UK, only a third of all antibiotics are used in the animal health sector compared to two-thirds in human health.

We continued our participation in the PATH-SAFE and National Biosurveillance programmes. Under PATH-SAFE, we completed AMR projects that generated representative data on AMR for species outside our established harmonised monitoring programmes, working collaboratively with stakeholder organisations. Under the National Biosurveillance Network (NBN), and together with the Animal and Plant Health Agency (APHA), we progressed a pilot to investigate the feasibility of accessing AMR data from private veterinary diagnostic laboratories.

We maintained our engagement with the veterinary profession and livestock sectors, working together to promote good antimicrobial stewardship and collection of antimicrobial usage data, with 2023 seeing the Medicines Hub for ruminants (run by the Agriculture and Horticulture Development Board (AHDB)) reporting data to us for inclusion in the VARSS report for the first time.

Meanwhile, our focus on antibiotic stewardship in companion animals increased. This included the launch in June 2023 by RCVS knowledge of the VMD-funded Companion Animal and Equine Vet Team AMR training initiative, which provides over 20 hours of Continuous Professional Development (CPD) to vets in practical and bitesize modules. In addition, the RUMA companion animal and equine group continued to meet regularly and once again coordinated a successful antibiotic amnesty campaign in November 2023.

We worked closely with a wide range of stakeholders interested in the proposed AMR provisions in the revised VMR, which would strengthen the law on antibiotic use in animals and will support responsible antibiotic stewardship to tackle AMR.

Residues

The 2023/24 residues programme ran to plan, collecting and analysing over 33,000 samples of Products of Animal Origin (POAO) and testing them for residues of prohibited substances, veterinary medicines, contaminants, and pesticides. The programme delivered numerous positive outcomes, with a sample compliance rate of around 99.7%—all cases of non-compliance having been robustly investigated by field operations colleagues.

As well as providing technical advice to Defra colleagues on live trade policy areas throughout the year, the team also made several impactful assessments to Defra's UK Office for SPS & Trade Assurance, helping to ensure the safety of produce imported into the UK. In the autumn, the team also hosted and facilitated an audit from EC officials on controls of veterinary residues; this was another high-profile piece of work with significant and positive outcomes.

Strong progress has also been made in the team's legislative space. This year, the team consulted on the Residues Fees & Charges legislation. The response to the public consultation and the updated Statutory Instrument (SI) will be published on GOV.UK.

Research and Development

Our research and development programme focused on priority areas of anthelmintic resistance, antimicrobial resistance, and pharmaceuticals in the environment. We commissioned research on the use of wormers in horses to inform good stewardship practices and funded the Moredun Research Institute to develop an app that will support farmers in accurately determining parasitic worm burdens in their animals.

On AMR, we continued to support a broad programme of research at APHA, underpinning our AMR surveillance programmes there. We also put out a tender for AMR surveys in healthy horses, cats, and dogs. On pharmaceuticals in the environment, we worked with the internal and external PIE groups, and via the internal group, we commissioned a literature review on the risks and benefits of spot-on flea treatment use in small animals.

International Office

We utilised our scientific and technical expertise to support the capacity-strengthening efforts of other international regulatory authorities through delivering a programme of activities primarily funded by external providers, e.g. the Bill and Melinda Gates Foundation, and UKAid funding, e.g. Fleming Fund. We completed the deliverables agreed upon with our funders. Key highlights of these activities include:

- Completion of the alpha test phase of a new Self-Assessment Tool for national veterinary medicine regulators, piloting the tool within the VMD and with other regulators. We also agreed on a new funding phase with the Gates Foundation to conduct further piloting of this tool and develop a strategy for the platform to host the tool in the longer term.
- Development with the UN FAO of a draft regional guideline for surveillance of residues in food of animal origin.
- Creating a new online course on veterinary pharmacovigilance, to add to our existing library of online courses, on which we enrolled 102 participants this year, primarily from other counterpart national regulators.
- Provision of in-country training to the Zambian Central Veterinary Research Institute scientists on residues testing methodologies and supporting the Institute to host a national workshop on surveillance on residues to raise awareness of this public health risk and to design a national sampling plan.
- Hosting counterparts from the Governments of Botswana and Rwanda for training on veterinary medicines regulation.
- Co-hosting with our counterparts at APHA and Cefas, and with the FAO secretariat, the first symposium for FAO AMR reference centres from around the globe.
- Launching a postgraduate programme with the University of Zambia, with one PhD and 2 MSc students now undertaking research on different aspects of AMR in the animal health sector, co-supervised by VMD technical specialists.
- Undertaking assessment of applications made to the new EU-FMD led initiative on pre-qualification of Foot and Mouth disease vaccines and initiating a new collaboration with EU-FMD focusing on other categories of medicines.

We aimed this year to repeat the training events for national stakeholders conducted in 2022-23 on best practices for Wholesale Qualified Persons and Dispensary Managers; however, we could not make our experts available due to the high volume of business as usual. We intend to respond to stakeholder demand by delivering these events in the next financial year.

Sustainability reporting

Our approach to sustainability is aligned with the Greening Government Commitments (GGC). The GGC set out the actions UK government departments and their partner organisations will take to reduce their impacts on the environment. This target framework is set for the period between April 2021 to March 2025. It includes reducing greenhouse gas emissions, waste generated and water consumption.

The data and associated costs presented in this section are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting Guidance 2023/24.

Most of the areas covered by the GGC are managed centrally by Defra including commitments for consumer single use plastics, finite resource consumption, nature recovery, and biodiversity action planning.

Defra also manages reducing the environmental impacts from ICT and digital, climate change adaptation, sustainable construction, rural proofing, air travel, and other natural resource consumption.

All these GGC are reported in the Defra Annual Report and Accounts. VMD does 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.

Green Government Commitments targets and performance

We contribute towards the Defra Group GGC target. Our performance against the targets set at a departmental level are measured using 2017/18 as the baseline, to be met by end of March 2025 include:

Actions to reduce impact on the environment	Defra Target	VMD actual performance
Reduce overall greenhouse gas emissions	50% overall emission reduction	31.2%
Reduce direct greenhouse gas emissions from estate and operations	15% direct emission reduction	10.6%
Car fleet to be Ultra Low Emissions Vehicle (ULEV)	25% by 31 December 2022	100% hybrid and ULEV (plan to source hybrid plug-ins 2024)
Car and Van fleet to be fully zero emissions	100% by 31 Dec 2027	N/A
Reduce emissions from domestic flights	At least 30% from baseline	6%
Reduce overall amount of waste generated	15% from baseline	45%
Reduce the amount of waste going to landfill	Less than 5% of overall waste	0% of overall waste

Actions to reduce impact on the environment	Defra Target	VMD actual performance
Increase the proportion of waste recycled	At least 70% of overall waste	100% overall waste is energy recovery
Remove consumer single use plastic (CSUP)	Nil in the office	Nil in the office. Managed centrally by Defra
Measure and report food waste	By 2022	Managed by APHA
Reduce paper use	At least 50% from baseline	80%
Reduce water consumption	at least 8% from baseline	48.8%

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 management and disposal are part of the overall Defra Corporate Recharge.

As of 31 March 2024, our full-time equivalent was 171.1 and our building's floor space was 4,320m^2 across 3 floors.

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

We reduced our overall CO_2 emissions by 31.2% to 118.4 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. During the year, we replaced our windows and sky light wells, thus, improving our building insulation which significantly improved the building's temperature control capability.

Greenhouse gas emissions	Baseline	2023/24	2022/23	2021/22	2020/21
Scope 1: Direct emissions	67.6	60.4	60.4	66.6	16.1
Scope 2: energy indirect emissions	95.5	52.1	48.1	47.5	54.2
Scope 3: official business travel emissions	8.9	5.9	5.5	4.9	4.9
Total emissions	**172**	**118.4**	**114**	**119**	**75.2**

Travel: Flights emissions (tonnes CO_2)

Flights	Baseline	2023/24	2022/23	2021/22	2020/21
Carbon from UK flights	3.3	0.6	0.7	0.4	not recorded
Carbon from international flights	Not captured	63.72	68.4	0.88	not recorded

Domestic flight emissions

Class	2023/24		2022/23	
	Number of flights	Total distance in km	Number of flights	Total distance in km
Economy	10	5,145	49	28,016
Premium economy	–	–	4	1,780
Business	–	–	–	–
First	–	–	–	–

Short haul flights

Class	2023/24		2022/23	
	Number of flights	Total distance in km	Number of flights	Total distance in km
Economy	74	80,642	42	41,346
Premium economy	6	18,208	4	4,208
Business	–	–	–	–
First	–	–	–	–

Long haul flights

Class	2023/24		2022/23	
	Number of flights	Total distance in km	Number of flights	Total distance in km
Economy	–	–	–	–
Premium economy	–	–	–	–
Business	58	455,294	91	664,416
First	–	–	–	–

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

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

Our total expenditure on business travel including flights, public transport, taxis, car hire, parking, and travel insurance for 2023/24 is £269k (2022/23: £302k).

Waste management

Waste (tonnes)	Baseline	2023/24	2022/23	2021/22	2020/21
Incinerated with energy recovery	10.1	5.6	7.1	3.4	2.6
Recycled or reused	–	–	–	–	–
Composted	–	–	–	–	–
Total waste recovered or reused	10.1	5.6	7.1	3.4	2.6
Incinerated without energy recovery	–	–	–	–	–
Landfilled	–	–	–	–	–
Total waste not recovered or reused	–	–	–	–	–
Total waste (tonnes)	10.1	5.6	7.1	3.4	2.6
Percentage recovered or reused		100%			

We reduced waste by 45% compared to our baseline. Our main waste is paper and other office related materials.

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

Energy consumption (1,000 kWh)

Energy	Baseline	2023/24	2022/23	2021/22	2020/21
Electricity	271.7	251.5	248.5	223.9	212
Gas	36.7	330.2	330.6	29.6	27.9

Our total expenditure on energy is £33.5k (2022/23: £26k)

We saw a slight increase in consumption due to a 20% increase in building occupancy. In addition to replacing our windows and sky light wells, we also upgraded our lighting to modern highly efficient LEDs contributing to a reduction in energy consumption.

Water (m^3)

Water Consumption	Baseline	2023/24	2022/23	2021/22	2020/21
Scope 2: Water consumption	811	415	352	248	84

Our total expenditure on water is £3.1k (2022/23: £1.4k)

We reduced our water consumption by 48.8% compared to our baseline. Our main water use is in the toilet facilities, which were refurbished during the year with sensor faucets and flush valves programmed to provide the right amount of water. As with energy, the 20% increase in occupancy saw an increase in consumption during the year, but we are expecting future reductions to materialise from these improvements.

Paper use (reams)

Paper use	Baseline	2023/24	2022/23	2021/22	2020/21
A4 paper reams	695	110	200	75	Not recorded
Notebooks	–	71	140	36	No recorded

Car/Van fleet

Car/Van fleet	2023/24		2022/23	
	Total cars	Total Vans	Total cars	Total Vans
Lease cars/vans and long-term hire cars/vans	7	–	7	–
Number of ULEVs	7	–	7	–
Number of Electric vehicle (EV)	–	–	–	–

Procuring sustainable products and services

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.

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.

Weybridge Site

The Science Capability in Animal Health (SCAH) programme is on the Weybridge site. The change to security checking will impact VMD. However, the works and new facilities being developed for the Animal & Plant Health Agency on our shared site do not directly affect the VMD building.

Taskforce on Climate-related Financial Disclosure (TCFD)

As an Executive Agency within the Defra group, we are within the scope to apply the TCFD guidance and recommendations, which set out how organisations across sectors and geographies can assess and disclose their Governance, Strategy, Risk Management, Metrics, and Targets related to climate change. However, we fall below the required threshold within the application guidance for these disclosures, and Defra has not instructed us to follow the guidance. VMD has not applied TCFD. Our report on performance against the Greening Government Commitments is reported above.

Financial review

We thoroughly monitor our financial performance and continue to seek efficiency while maintaining our standards of performance. We achieved our 2023/24 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.

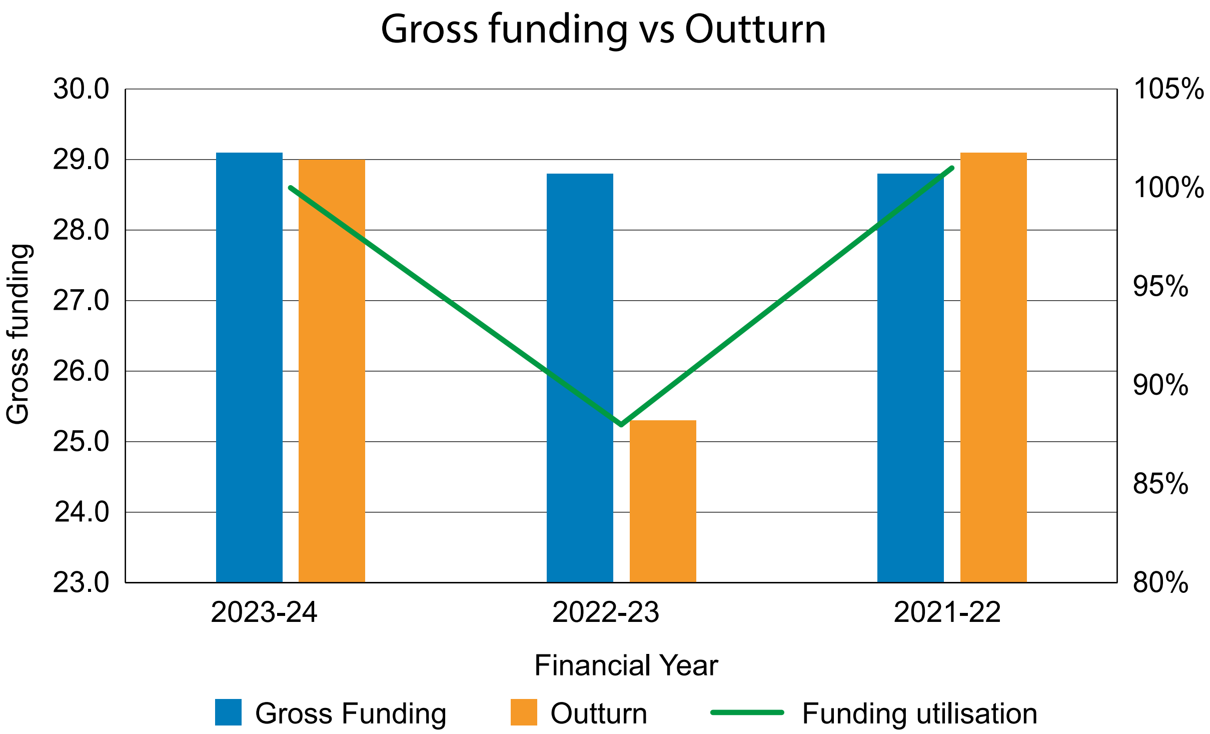
In 2023/24, our budget allocation agreed with Defra was £16.0m (2022/23: £14.9m). It included both Resource Delegated Expenditure Limit (RDEL) and Capital Delegated Expenditure Limit (CDEL) but excluded the indicative income budget. The actual operating income recognised in the financial statements is £14.0m (2022/23: £13.9m) and the total gross expenditure (RDEL and CDEL) for the year was £29.0m (2022/23: £25.3m), resulting in a net outturn position of £15.0m (2022/23: £11.4m). 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.

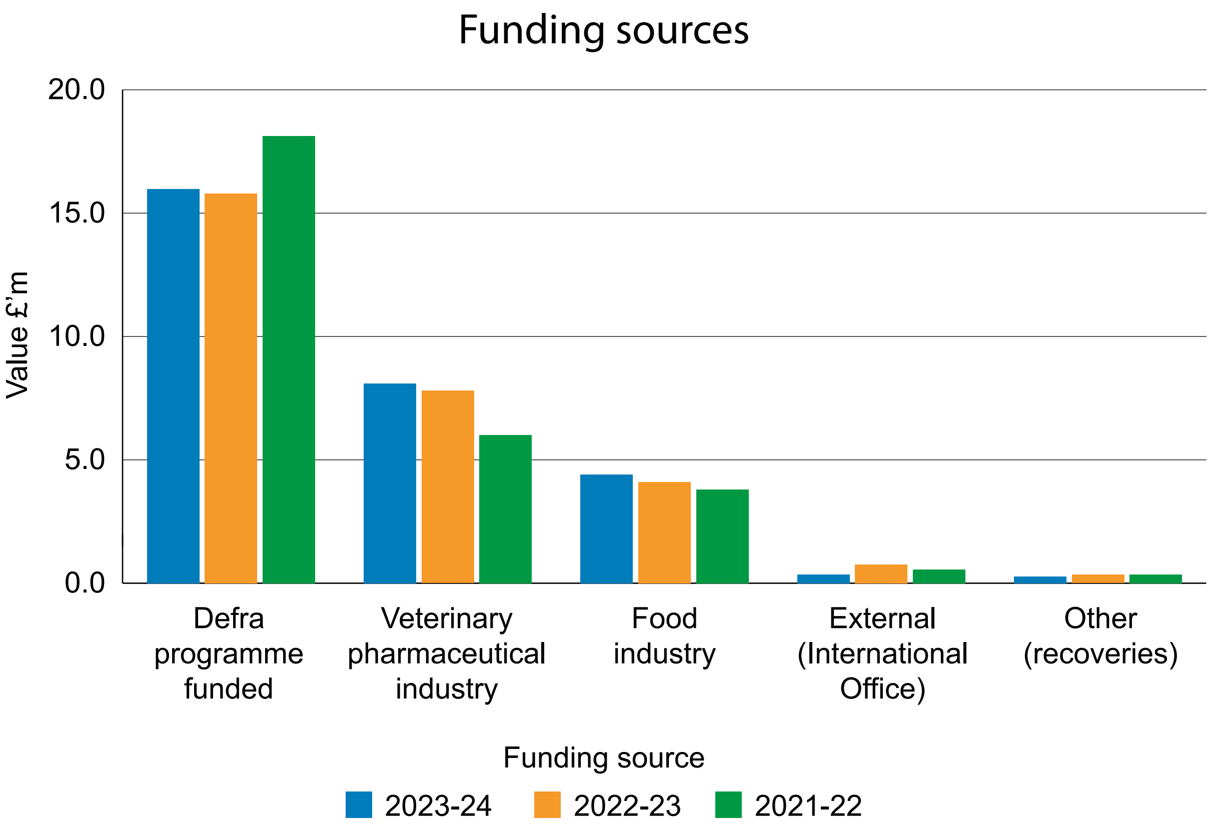
The total operating expenditure for the financial year was £27.4m (2022/23: £24.1m), funded by operating income of £14.0m (2022/23: £13.9m) resulting in a comprehensive net expenditure of £13.4m (2022/23: £10.2m) to be funded by grant-in-aid from Defra. The statement of financial position shows taxpayers' equity of £8.9m (2022/23: £8.8m).

The average full-time equivalent of the workforce reduced from 184.6 to 171.1. However, the staff cost increased by 12% to £12.2m. The reduction in the average FTE signifies the recruitment challenges experienced during the year. The increase in cost is due to pay awards and the one-off cost of living payment approved by the Cabinet Office and HM Treasury. More detail on staff costs is provided in the Staff Report.

In the year, we delivered regulatory services to the Veterinary Pharmaceutical Industry (VPI) to a total cost of £8.1m (2022/23: £7.8m). These services were for authorisations and inspections work, costs were recovered through fees and charges to industry. The cost of regulation of the food industry was £4.4m (2022/23: £4.1m), which was recovered through charges levied on abattoirs and other food processors. We achieved our cost recovery targets for the year.

In the year, £13.4m (2022/23: £8.5m) 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 the development of digital services is £1.5m (2022/23: £1.2m), to ensure smooth continuation of medicines availability.


Gross funding vs Outturn
30.0
29.0
28.0
27.0
26.0
25.0
24.0
23.0
Gross funding
105%
100%
95%
90%
85%
80%
2023-24
2022-23
2021-22
Financial Year
Gross Funding
Outturn
Funding utilisation


Funding sources
20.0
15.0
10.0
5.0
0.0
Value £'m
Defra programme funded
Veterinary pharmaceutical industry
Food industry
External (International Office)
Other (recoveries)
Funding source
2023-24
2022-23
2021-22

Cash flow

Cash and cash equivalents increased to £4.44m as of 31 March 2024 from £2.77m on 31 March 2023, an increase of £1.68m. This was due to receipts from industry received in March but expected in April. In year, our net cash draw down was £12.82m (2022/23: £14.70m). The net cash requirement under the gross control funding arrangement was £11.15m (2022/23: £15.67m). We follow the principles of the Better Payment Practice Code in compliance with the Public Sector Payment Policy and paid 100% (2022/23: 100%) of undisputed invoices within 5 working days.

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 2024/25 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 Management Board considered this at its March meeting and took the view that there is a reasonable certainty that VMD would continue to provide services as the policy lead body and regulator of all aspects of veterinary medicines in the UK.

Social and community issues

Defra group equality, diversity and inclusion strategy 2020 to 2024, which includes VMD, aims to ensure that Defra is a great place to work, and that 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; 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 and Data Protection
- 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.

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 and 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 the Audit and Risk Assurance Committee. 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 2023-24 (2022-23: 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 2023-24 (2022-23: Nil).

The year ahead

We will continue to focus on our people, who are our most valuable asset. The recruitment controls and headcount cap have been lifted from the VMD; therefore, the recruitment, integration and training of new staff will be a particular focus. It should be noted that due to the complex nature of many of the roles, it can take two years for people to be fully trained and in the interim, there will continue to be additional pressures on VMD.

In the coming year, our regulatory activities priorities are to:

- expand our global footprint, develop our intelligence capabilities, and make more robust use of our increasing skills
- work with our operational delivery partners to ensure clear understanding of the amendments to the Veterinary Medicines Regulations and effectively relay those changes to the businesses we inspect to help them comply with our legislation
- conduct a number of overseas inspections of manufacturing sites that were delayed due to travel restrictions following the COVID outbreak, including to China, India, and Brazil, where possible in collaboration with EU inspectors, to avoid duplication
- implement the changes to the regulations through engagement with stakeholders and reviewing our guidance as needed in response to such engagement
- start the legislative cycle for the next revision to the Veterinary Medicines Regulations.

In regard to international activities, we will:

- conduct at least three further pilots of the regulators' Self-Assessment tool, and use the feedback to further refine the tool to be fit for a global audience
- create a draft competency framework for veterinary medicine regulatory assessors and test it within the VMD
- create new e-learning resources to meet the needs of counterpart national regulators, and deliver at least six roll-outs of our existing e-learning library
- deliver at least three training courses to national stakeholders
- provide support to the SADC vetZazibona collaborative regulatory initiative
- continue to provide technical support to the UNFAO prequalification initiatives
- support Zambia CVRI to implement their national residues surveillance programme, and explore options for a potential laboratory proficiency testing scheme for residues detection
- work closely with our partner agencies under our accreditation as FAO reference centre on AMR to support countries in West Africa to implement their AMR National Action Plans

- continue to co-supervise post graduate students at the University of Zambia undertaking research on AMR topics and develop with University of Pretoria a potential new post graduate studentship programme on veterinary regulatory affairs, to address the gap in learning provision on this topic.

Abigail Seager
Chief Executive
31 October 2024

Accountability Report

This section of the report provides the key accountability requirements to Parliament.

Corporate governance report

The Corporate Governance Report explains the composition and organisation of our governance structures and how they support the achievement of our strategic objectives.

Director’s report

The Executive Team

Our Executive Team consists of the Chief Executive, the Deputy Chief Executive and Chief Operating Officer. They have the responsibility for planning, directing and controlling the activities of the VMD.

Position	Position holder
Chief Executive	Abigail Seager
Deputy Chief Executive	Gavin Hall
Chief Operating Officer	Mike Griffiths

The notice period for the Executive Team 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 Management Board members had no company directorships or other significant interests which conflicted with their management responsibilities in the financial year 2023/24.

Protecting personal data

There were no personal data-related incidents in 2023/24 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 VMD'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 14 December 2023 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

This governance statement sets out the governance, risk management and internal control arrangements for VMD and how our processes have evolved to deliver reasonable assurance in managing the actual, emerging and potential risks, issues or opportunities facing VMD.

The Accounting Officer is responsible for maintaining effective governance and a system of internal control that supports the achievement of VMD'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 confirm that we have complied with the governance arrangements effectively.

Governance framework

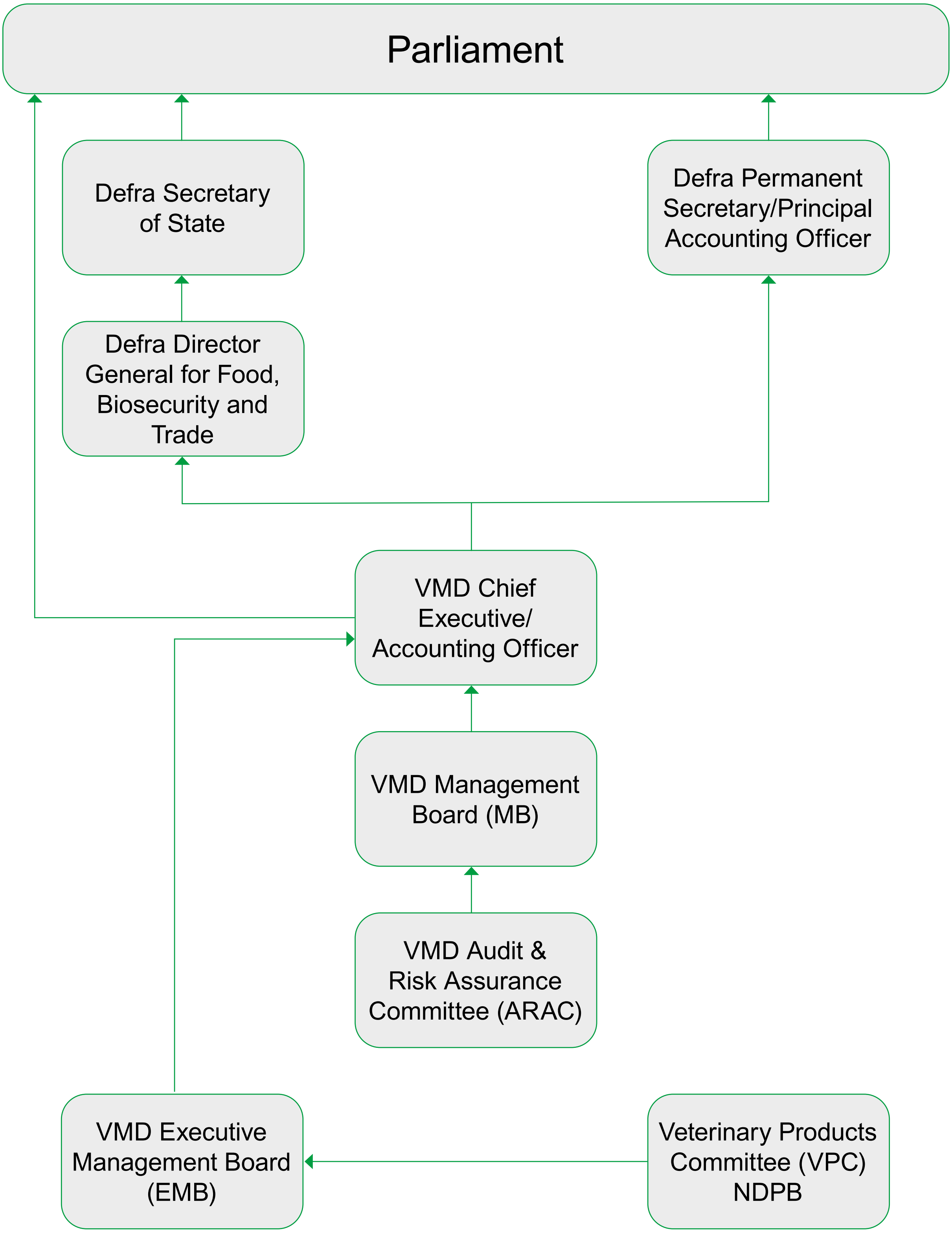
Defra's Secretary of State is responsible for the VMD and is accountable for all matters concerning it in Parliament. This function can be delegated to the Minister of State (Minister for Biosecurity, Animal Health and Welfare).

Defra's Permanent Secretary is the Principal Accounting Officer responsible for advising the Minister on an appropriate framework of objectives and targets for the VMD considering Defra's wider strategic aims and priorities and on the appropriate budget considering Defra's overall public expenditure priorities.

The Principal Accounting Officer designates the Chief Executive Officer (CEO) as the VMD's Accounting Officer. The CEO's responsibilities include safeguarding public funds, ensuring propriety, regularity, value for money, and feasibility in their management, and overseeing the day-to-day operations and management of the VMD. The CEO reports to the Director General for Food, Biosecurity, and Trade (DG FBT), who is the primary contact for the VMD and supports the Principal Accounting Officer's responsibilities towards the VMD.

These arrangements have been in place for 2023/24 and up to the date of signing of the accounts unless specified otherwise.

VMD Governance Structure



The VMD Management Board (MB) The role of the Management Board is to advise, guide and challenge VMD on strategy and performance, to deliver the priorities set by the Secretary of State for Defra. The MB provides advice to ensure effective arrangements are in place to provide assurance on risk management, governance and internal control and is collectively responsible for VMD's long-term success. The Head of Finance became a full member of the MB from March 2024.

Minutes of MB meetings are published on GOV.UK.

Key business at MB in 2023-24 included:

- regular review of delivery against business priorities
- regular review of financial statements
- review of the Enforcement section's strategy
- recruitment, retention and strategic deployment of resources across VMD's workload
- deep dive into hot topics that impact delivery of VMD's objectives such as Vaccine availability and Veterinary Medicines Regulations review.

The Audit and Risk Assurance Committee (ARAC) is a sub-committee of the MB. ARAC meets quarterly and provides advice on assurance and on the adequacy and effectiveness of VMD's governance and risk management arrangements. It also reviews VMD's approach to counter-fraud and whistleblowing and provides advice about compliance with current legislation, standards and best practices. 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.

Key business at ARAC meetings in 2023-24 included:

- regular reviews of VMD's approach to risk management
- regular reviews of progress against the Government Internal Audit Agency (GIAA) annual audit plan and outcomes of audit work undertaken
- review of the Annual Report and Accounts for compliance with current legislation and appropriate standards.

Role	Name	Title	VMD MB Attendance record	VMD ARAC Attendance record
Non-Executive Director	Alison White (from Aug 2023)	Chair of MB and Member of ARAC	3/3	3/3
Non-Executive Director	Julia Drown (to July 2023)	Chair of MB and Member of ARAC	1/1	1/1
Non-Executive Director	Timothy Riley (to 31 Mar 2024)	Chair of ARAC and Member of MB	4/4	4/4
Non-Executive Director	Philippa Hardwick	Member of ARAC and MB	4/4	4/4
Non-Executive Director	David Catlow	Member of ARAC and MB	3/4	3/4
Board Apprentice	Nicola Charlton (to 31 Dec 2023)	Apprentice ARAC and MB	1/3	1/3
Board Apprentice	Sian Wright (from 1 Jan 2024)	Apprentice ARAC and MB	1/1	1/1
CEO	Abigail Seager	Member of ARAC and MB	4/4	4/4
Deputy CEO	Gavin Hall	Member of ARAC and MB	4/4	4/4
Chief Operating Officer	Mike Griffiths	Member of ARAC and MB	4/4	4/4
Head of Finance	Muiz Agbaje	Member of ARAC and MB	4/4	4/4

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 that sets the strategy and direction for VMD and has the overall authority to run VMD 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.

Key business at EMB meetings in 2023-24 included:

- setting the strategy and direction for VMD according to Defra’s strategic objectives
- day-to-day running of VMD including business planning approval and ensuring that financial considerations are considered in reaching and executing its decisions
- managing strategic risk

- reviewing people management related issues for VMD including budgets, resourcing, and communication
- reviewing Defra Corporate Services delivery on a quarterly basis.

Name	Role	Membership Status
Abigail Seager	Chief Executive	Present
Gavin Hall	Deputy CEO /Director of Authorisations	Present
Mike Griffiths	Chief Operating Officer/Head of Business Support Division	Present
John Millward	Head of Inspections and Enforcement Division	Present
Dr Susanne Eckford	Head of International Office	Present
Dr Marian Bos[1]	Head of Legislation Office and VMR Project SRO	Present
Dr Kitty Healey	Head of Surveillance Division	Present

(1) Dr Marion Bos left the VMD on 21 July 2024

The Veterinary Products Committee is an independent scientific advisory committee that advises the Secretary of State via VMD on veterinary medicinal products and animal feed additives. The VPC held meetings in May, October and February. Minutes of meetings and further information are published on GOV.UK.

Key business at VPC meetings in 2023-24 included:

- monitoring of the veterinary pharmacovigilance activities reports
- discussion on VMD's activity in supporting the evaluation of veterinary pharmaceuticals in the environment
- evaluating VMD assessment reports
- reviewing shortages of veterinary vaccines and promoting the responsible use of imported antimicrobials.

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).

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 Chair of the MB conducted an evaluation of the MB and ARAC committee's effectiveness with the members as part of the governance review at the end of the financial year. This evaluation utilised a questionnaire adapted from the NAO's recommendation. The review unequivocally acknowledged the changes made during the year, including the refresh of the terms of reference and membership of the MB and ARAC, designed to provide absolute clarity about the strategic role of the MB and its distinct role from the ARAC, particularly regarding the ownership of risk to ensure unwavering consistency with good practice. The results were discussed at the June 2024 meetings, and in the year ahead, all proposed recommendations will be diligently implemented.

The EMB has formally assessed its compliance with the CGC and its effectiveness, as evidenced by the delivery of the 2023-24 targets and key deliverables and the results of the 2023 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 enhance participation and encourage diverse perspectives from outside of the Executive Team, individual Heads of Team are invited on a rotating basis to attend and contribute to the meeting each week.

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 to declare annually interests which could emerge as a conflict of interest. There is a standing agenda item on declarations of interest at the start of every MB meeting and were any members to declare a conflict, then they would leave the meeting during the discussion of that item. During 2023/24, no MB 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 and managed through the 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.

Civil Service People Survey

Our Civil Service People Survey engagement index score completed in October 2023 (the survey's measure of those areas that most shape our experience at work) is 63% (61% completed October 2022). We are using the Survey results and further feedback from Division, Office and Team meetings to direct and tailor our activities to respond and continually improve. Our approach is to use the Defra model of "Speak-Listen-Learn-Act" in a regular cycle.

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 2023/24 (2022/23: nil).

Business critical models and quality assurance

There are no business models which currently fall within the definition 'business critical models' as set out by HM Treasury: were this position to change, we would comply with the relevant guidance.

Risk management

Our primary role is in the authorisation of veterinary medicines, which is always based on assessing the benefits 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 is based on the principles and concepts set out in HM Treasury's Orange Book: Management of Risk.

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 our 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 divisions and offices within VMD to ensure quality and consistency in the risk management process. This includes undertaking quality assurance checks and identifying business areas 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 EMB 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 reviews and provides challenges to management on corporate risk four times a year.

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

The degree of risk is measured by considering the likelihood and impact of those risks and issues. The table below shows the key organisational risks identified and managed in the year. The risk trends have been captured and monitored via ongoing management and quarterly risk management reviews:

Risk	Mitigating activities	Risk severity and direction of risk trend
Implementation of GB VMR This is an operational risk that we will not have made the necessary changes to IT/digital systems and documentation for implementing the Statutory Instrument updating the Veterinary Medicines Regulations in GB due to a lack of resources, which could negatively impact stakeholder relations and our reputation.	We created a workshop to identify, plan, and coordinate the practical implementation of the amendments to the GB VMR, led by an agency staff member recruited to manage the VMR project. Our business areas had an opportunity to identify the work needed and the resources that should be involved to enable prioritisation of the activities supported by regular internal and external communications.	H During the financial year, the risk rating was reduced from Very High to High due to the mitigating actions however, it remained high due to the impact of the risk.

Risk	Mitigating activities	Risk severity and direction of risk trend
Vaccine availability This is a reputational risk due to the lack of vaccine availability for both companion and livestock animals due to increased global demand and some manufacturing sites' movement to comply with EU legislation. This could result in animal owners reverting to using antimicrobials, which undermines the drive to move habits to prevention over cure. A lack of vaccine availability may result in increased and raised media exposure and an increase in Ministerial Correspondence.	VMD is not the sole solution. However, we brought the key players together to discuss holistic measures and created a cross-sector group with the key players. We communicated the situation with Ministers, NOAH and Animal Representative groups to outline our action plan and ask that consideration be given to a complementary action plan to support the primary plan.	H The risk rating remained high due to the risk's nature, impact and likelihood.
Funding This financial risk emerged because of the uncertainty regarding the coming into force date of the GB VMR and the Statutory Instrument updating Residue charges, which could result in an under recovery of our costs in future years.	We continuously monitor the impacts and responses to the changing situation. We maintain good relationships with Defra for any opportunity for additional funding to mitigate the risk.	H The risk rating remained high during the financial year. However, with the effective date of the GB VMR imminent and the progress made to date on the Statutory Instrument updating Residue charges, the risk rating is subject to reduction.

Risk	Mitigating activities	Risk severity and direction of risk trend
People Risk These are risks identified across VMD of retaining key staff and being unable to recruit quickly for knowledge handover due to workload pressure, dissatisfaction with pay compared to counterparts in the private sector and recruitment timelines, which could result in high staff turnover, impact business continuity and loss of corporate knowledge.	Increased staff engagement, taking actions based on responses from the People survey and transparency with pay review. We are included in discussions with Defra Group to support the Defra Pay flexibility case.	H The risk rating remained high due to the risk's nature, impact and likelihood.
Technology/ Infrastructure This is a risk of data and operating systems being compromised due to breaches through legacy IT systems or non-compliance	Our ISO 27001 (Information Security Management System) standard was confirmed in Nov 2023. Our digital delivery partner has agreed on critical design decisions to provide the architecture guardrails for legacy IT replacement.	VH The risk rating remains Very High due to the impact of the risk.

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

- strategic oversight and regular progress updates to Ministers and Chief Veterinary Officer to maintain Anti-Microbial Resistance profile
- continued engagement with industry to mitigate the risk of an unintended increased burden on industry due to the divergence between the GB framework and EU regulations applicable in Northern Ireland
- working closely with our key stakeholders Defra, Department of Health and the Medicines and Healthcare Regulatory Agency.

Russia – Exposure of investments

We have 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.

Audits

Following an independent Surveillance audit in November 2023, our continuing certification for: ISO 9001:2015 (Quality Management) and ISO 27001:2013 (Information Security Management System) standards was confirmed. The confirmation of continued certification represents independent assurance that our systems and processes continue to meet these internationally recognised standards.

For ISO 9001:2015 there were no major non-conformities, two minor non-conformities and two suggested opportunities for improvements identified. We have addressed the non-conformities and are considering the opportunities for improvements.

For ISO 27001:2013 we received one major non-conformity, no minor non-conformities and three opportunities for improvement were identified. We addressed the major non-conformity and provided the auditor with satisfactory evidence for this to be closed. We are 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 UK Ltd 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. A test is 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 2023/24 we continued activity to ensure compliance with data protection legislation and Information Commissioner’s Office (ICO) guidance.

Data security remains one of our highest priorities and is assured by 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 and Data Protection training course is undertaken on an annual basis by all staff, and as part of our Business Compliance 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 (UK GDPR) reflect the latest thinking and practice.

There were no data security lapses that were deemed to be significant or critical during 2023/24 (2022/23: Nil).

Internal audit arrangements

The GIAA 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. 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 is reported back to (and any extensions, if required, are approved at) ARAC. These four reports were issued during 2023/24:

- the Residues team governance, risk and control arrangement – overall rating "Moderate"
- Budgetary control and management information – overall rating "Substantial"
- Data protection compliance – overall rating "Moderate"
- the effectiveness of the Pharmacovigilance processes – overall rating "Moderate".

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.

Remuneration report

Remuneration policy

The remuneration of the CEO and Deputy CEO, as for all 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. Further information about the SSRB can be found on the website.

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, 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 and Head of Finance are civil servants under permanent contracts of employment with VMD and receive an annual salary paid in accordance with the standard Staff Pay Agreement negotiated through collective bargaining with recognised trade unions.

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.

The CEO and members of the Executive Team are permanent civil servants. They are required to give three months' notice under the terms of their contracts. The employment of the CEO and members of the Executive Team may be terminated in accordance with normal civil service procedures. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Our Non-Executive Directors are appointed on fixed term contracts which may be subject to early termination by either party.

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

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

The following sections provide details of the remuneration and pension interests of the executive management board members.

Name and title	Salary		Bonus payments		Pension benefits[1]		Total	
	2023/24	2022/23	2023/24	2022/23	2023/24[2]	2022/23	2023/24	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A Seager Chief Executive	100-105	95-100	–	–	46	50	145-150	145-150
G Hall Director of Authorisations	75-80	70-75	–	0-5	31	12	110-115	85-90
M Griffiths Chief Operating Officer	75-80	65-70	0-5	0-5	28	27	100-105	95-100
M Agbaje[3] Head of Finance	25-30	–	0-5	–	3	–	25-30	–

(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) For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

(3) M Agbaje joined the Management Board on 5 Dec 2023. The full year equivalent for Salary is £75k to £80k.

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 VMD 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 2023/24 (2022/23: nil)

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses paid in 2023/24 relate to the performance in 2022/23, the comparative bonuses for 2022/23 relate to the 2021/22 performance.

Fair pay disclosure (audited)

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

	2023/24			2022/23		
	Salary	Bonus[1]	Total	Salary	Bonus	Total
Annualised band of highest paid Director remuneration £'000	100-105	–	100-105	95-100	–	95-100
The % change from previous financial year in respect of the highest paid Director	5.1%	–	5.1%	-20.4%	–	-20.4%
Average employee remuneration	£51,299	£1,595	£52,894	£41,046	£602	£41,648
The average % change from previous financial year in respect of the employees taken as a whole	25.0%	165.0%	27.0%	-0.2%	43.3%	0.2%

(1) The percentage change in bonus (165%) includes pay awards and the one-off cost of living payment for £1,500 made to all employees (grade 6 and below).

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the top to the 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 points 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:

	2023/24			2022/23		
	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)		£102,500			£97,500	
All employees (excluding highest paid Director) Total pay and benefits	£34,650	£44,338	£60,005	£29,108	£35,488	£54,794
All employees (excluding highest paid Director) salary component only	£31,832	£42,526	£57,350	£28,802	£34,957	£53,843
Total pay ratio	3.0	2.3	1.7	3.3	2.7	1.8

On a full-year equivalent basis, a temporary staff on a day rate received the highest remuneration during the year. The difference to the highest-paid Director is in the range of £20k to £25k. For temporary staff, we pay the base level of the staff grade including agency cost and VAT (2022/23: no employees received remuneration more than the highest paid Director).

The highest-paid Director is the CEO. The 5.1% increase in the percentage change from the prior year is due to a pay award for senior civil service as recommended by the Senior Salaries Review Body (SSRB). Remuneration for all staff, excluding the highest-paid Director, ranged from £13,000 to £127,000 (2022/23: £19,800 to £100,000).

The average percentage change in total pay and benefits from the previous financial year in respect of the employees (excluding the highest-paid Director) is calculated using the average salary of all staff, including temporary staff, in-post, as of 31 March 2024. The average percentage change increased by 27.0% to £52,894 (2022-23: an increase of 0.2% to £41,648) due to a decrease in reliance on temporary staff, average pay awards and £1,500 one-off cost of living payment for civil servants as approved by the Cabinet Office and HM Treasury.

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 regarding compensation to former senior managers or third parties for the services of a senior manager.

None of our Directors or senior officials have held any company directorships or other significant interests during the year.

No employer contributions were made to partnership pension accounts during 2023/24 or 2022/23 regarding VMD’s Directors.

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy6 is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as “rollback”.

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

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).

Further details about the Civil Service pension arrangements can be found at the website https://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 benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV (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 31/3/2024	Real increase in pension and related sum at pension age	CETV at 31/3/2024[1]	CETV at 31/3/2023	Real Increase in CETV
A Seager Chief Executive	35-40 plus lump sum of 0	2.5-5.0 plus lump sum of 0	604	525	27
M Griffiths Chief Operating Officer	20-25 plus lump sum of 0	0-2.5 plus lump sum of 0	316	260	18
G Hall Director of Authorisations	0-5 plus lump sum of 0	0-2.5 plus lump sum of 0	59	26	23
M Agbaje Head of Finance	10-15 plus lump sum of 0	0-2.5 plus lump sum of 0	156	149	2

1 For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

Non-Executive 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	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
J Drown[2]	0-5	0-5	–	–	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	200	100	0-5	0-5
A White[3]	5-10	–	–	–	5-10	–

1 Benefits-in-kind relate to reimbursement of home to office travel and subsistence.
2 J Drown's appointment as Chair of the Management Board came to an end on 31 July 2023.
3 A White was appointed as the Chair of the Management Board, effective from 1 August 2023.

Staff report

Staff numbers (audited)

At 31 March 2024, we had an average full time equivalent workforce of 171.1 (2022/23: 184.6) as follows

Average full time equivalent	As at 31 March 2024	As at 31 March 2023
Permanent staff	160.4	163.6
Temporary staff	10.7	21.0
Total	**171.1**	**184.6**

Gender diversity

The gender diversity of our permanently employed staff as of 31 March 2024 was:

Staff	Male	Female	2023/24 Total	Male	Female	2022/23 Total
Directors on the Management Board	1	1	2	1	1	2
Officials on the Management Board	1	–	1	1	–	1
Staff in a scientific role	28	32	60	24	29	53
Staff in an administrative role	33	75	108	36	73	109
Total staff headcount	**63**	**108**	**171**	**62**	**103**	**165**

Staff recruitment

The average number of full-time equivalent permanent and temporary staff during the year was:

Staff	Permanently employed staff	Temporary staff	2023/24 Total	2022/23 Total
Scientific	58.8	2.9	61.7	56
Administrative	110.9	12.8	123.7	123
Staff engaged on capital projects	–	–	–	–
Total staff	**169.7**	**15.7**	**185.4**	**179**

Staff turnover

We use 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 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 11.4% (2022/23: 11.8%).

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.

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. We disseminate information through the leaders and utilise mediums such as Office Notices and the intranet. 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 2023/24 (2022/23: Nil)

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 2023/24 (2022/23: nil).
For all staff, there were no compulsory exits in 2023/24 (2022/23: nil).

Staff costs (audited) in £'000

Staff costs consist of the following:	Permanently employed staff	Temporary staff	2023/24 Total	2022/23 Total
Wages and salaries	8,232	968	9,200	8,033
Social security costs	919	–	919	901
Other pension costs	2,097	–	2,097	1,947
Gross total staff costs	**11,248**	**968**	**12,216**	**10,881**
Less amounts charged to capital projects	–	–	–	(40)
Sub-total as reported in the Statement of Comprehensive Net expenditure	**11,248**	**968**	**12,216**	**10,841**
Less recoveries in respect of outward secondments	(235)	–	(235)	(301)
Net total staff costs	**11,013**	**968**	**11,981**	**10,540**

Pensions

Pension benefits provided through the Civil Service pension arrangements are unfunded multi-employer defined benefit schemes and we are unable to identify our share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2020. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation, here.

For 2023/24, employers' contributions of £2,090,275 were payable to the PCSPS (2022/23: £1,929,068) at one of four rates in the range 26.6% to 30.3% (2022/23: 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 2023/24 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 or a stakeholder pension with an employer contribution. Employers' contributions of £27,046 (2022/23: £27,964) were paid to one or more of the panels of three appointed stakeholder pension providers. The contributions were offset by a refund of £31,875 after a review of the partnership pension scheme membership that identified an overpayment during the period September 2018 and October 2023.

In addition, employer contributions of £798, 0.5% of pensionable pay (2022/23: £765) 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 £1,986 (2022/23: £2,361). 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 540 compared to 755 in 2022/23. The average working days lost per employee during the year was 3.2 compared to 4.5 in 2022/23.

Short term sickness absences of 10 days or less decreased from 1.6 days per FTE in 2022/23 to 1.0 days per FTE in 2023/24.

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 2024.

Number of existing engagements as of 31 March 2024	18
Of which:	
Number that has existed for less than one year at time of reporting	2
Number that has existed for between one and two years at time of reporting	3
Number that has existed for between two and three years at time of reporting	4
Number that has existed for between three and four years at time of reporting	2
Number that has existed for four or more years at time of reporting	7

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 2023 to 31 Mar 2024	21
Of which:	
Number not subject to off-payroll legislation	20
Number subject to off-payroll legislation and determined as in-scope of IR35	0
Number subject to off-payroll legislation and determined as out-of-scope of IR35	1
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	0
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 2023 and 31 March 2024.

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, 2 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. We use HM Revenue and Customs’ Check of Employment Status for Tax tool (CEST), expertise from the Defra tax team, and accompanying guidance to make those assessments.

During the reassessment period following HMRC’s enquiry into Defra’s compliance with off-payroll legislation rules, we settled our liability in full in 2022/23. The total settlement amount, including interest charges, was £4.27m. Additionally, a three-month suspended penalty of £0.61m was agreed upon, which is only payable in the event of non-compliance with the penalty conditions. This settlement was agreed in May 2023.

During the year, HMRC changed the Off-Payroll Working (OPW) liability calculation. This means our settled liability will be reduced by c.£31k, and the suspended penalty will be reduced by £5k. The three-month suspended period has also been reduced to one month. The new agreement was signed in May 2024.

The legislative changes to the OPW rules mean that HMRC will subsequently take into account, or ‹set-off,› the taxes the worker or their intermediary have already paid against VMD›s settlement. We opted to pause the settlement and are waiting for a revised agreement from HMRC to confirm the set-off amount and finalise the case. This is separate from the changes to the calculation described above.

Consultancy and temporary staff expenditure

£’000	2023/24	2022/23
Consultancy expenditure	3,040	2,556
Temporary staff expenditure	968	687
Total	**4,008**	**3,243**

Consultants are engaged for specific programme work and when specialised skills are required or where we have been unable to fill a vacancy due to the inability to recruit at the salaries that we are able to offer. 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.

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.

2023/24	Income £'000	Cost £'000	Net Income £'000	Cost Recovery[1] %
Veterinary pharmaceutical industry	8,131	8,131	–	100
Food industry	4,373	4,373	–	100
Total	**12,504**	**12,504**	**–**	**100**

2022/23	Income £'000	Cost £'000	Net Income £'000	Cost Recovery[1] %
Veterinary pharmaceutical industry	7,755	7,755	–	100
Food industry	4,142	4,142	–	100
Total	**11,897**	**11,897**	**–**	**100**

1 Our fees set out in Schedule 7 of the GB Veterinary Medicines Regulations 2013 (as amended) includes a variable element based on the statement of turnover submitted to us by a marketing authorisation holder. In the current year, it was not necessary to charge the maximum fee because we recovered our costs for delivering our regulatory services with the non-variable and the variable element.

Losses and special payments

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

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

There were no losses, gifts and special payments that exceed £300,000 in total or individually as of 31 March 2024 (31 March 2023: nil).

Contingent liabilities

There were no contingent liabilities as of 31 March 2024 (31 March 2023: nil).

Remote contingent liabilities
In addition to contingent liabilities reported within the meaning of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, VMD 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 of 31 March 2024, there are nil to report (31 March 2023: Nil).

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 Defra in several areas. As part of the services delivery model, Defra's 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, over half of Functional Standards are rated in the "Good" rating category.

Where services are not received from Defra, 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" rating category.

Abigail Seager

Chief Executive
31 October 2024

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 2024 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 2024;
- 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 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 2024 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 issued 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 issued 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;
- preparing financial statements which give a true and fair view and are prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued 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.

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 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 the Government Resources and Accounts Act 2000, Managing Public Money, employment law and 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

- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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 sufficient appropriate audit evidence 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
Comptroller and Auditor General

Date 31 October 2024

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 2024

Comprehensive Net Expenditure £'000	Note	2023/24	2022/23
Revenue from contracts with customers	2	12,861	12,657
Other operating income	2	1,146	1,195
Total operating income		**14,007**	**13,852**
Staff costs	3	(12,216)	(10,841)
Purchase of services	4	(6,561)	(6,622)
Non-cash costs	4	(3,736)	(1,779)
Other operating expenditure	4	(4,926)	(4,847)
Total operating expenditure		**(27,439)**	**(24,089)**
Net operating expenditure		**(13,432)**	**(10,237)**
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment		524	1,002
Comprehensive net expenditure for the year ending 31 March 2024		**(12,908)**	**(9,235)**

All income and expenditure are derived from continuing operations.

The notes on pages 70-89 form part of these accounts.

Statement of Financial Position
as at 31 March 2024

Financial Position £'000	Note	2023/24	2022/23
Non-current assets			
Property, plant and equipment	5	7,216	7,037
Intangible assets	6	6,371	7,438
Right of Use (ROU) assets	5	–	6
Total non-current assets		**13,587**	**14,481**
Current assets			
Trade and other receivables, contract assets	7	2,888	2,489
Cash and cash equivalents	8	4,445	2,770
Total current assets		**7,333**	**5,259**
Total assets		**20,920**	**19,740**
Current liabilities			
Trade and other payables, contract liabilities	9	(3,951)	(3,437)
Total current liabilities		**(3,951)**	**(3,437)**
Total assets less current liabilities		**16,969**	**16,303**
Non-current liabilities	9	(170)	(133)
Total assets less total liabilities		**16,799**	**16,170**
Taxpayers' equity and other reserves			
General fund		8,863	8,758
Revaluation reserve		7,936	7,412
Total equity		**16,799**	**16,170**

The notes on pages 70-89 form part of these accounts.

Abigail Seager
Chief Executive and VMD Accounting Officer
31 October 2024

Statement of Cash Flows
for the year ended 31 March 2024

Cash Flows £'000	Note	2023/24	2022/23
Cash flows from operating activities			
Net operating expenditure		(13,432)	(10,237)
Adjustments for non-cash transactions arising in the year	4	3,736	1,779
(Increase)/Decrease in trade and other receivables	7	(399)	(234)
Increase/(Decrease) in trade and other payables	9	551	(5,775)
Movement in trade payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(19)	–
Net cash outflow from operating activities		**(9,563)**	**(14,467)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(100)	–
Purchase of intangible assets	6	(1,488)	(1,180)
Net cash outflow from investing activities		**(1,588)**	**(1,180)**
Cash flows from financing activities			
Supply current year		12,820	14,700
Payment of Lease liabilities		6	(21)
Net financing		**12,826**	**14,679**
Net Increase/(Decrease) in cash and cash equivalents		**1,675**	**(968)**
Cash at the beginning of the year	8	**2,770**	**3,738**
Cash at the end of the year	8	**4,445**	**2,770**

The notes on pages 70-89 form part of these accounts.

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2024

Changes in Taxpayers' Equity £'000	Note	General Fund	Revaluation Reserve	Total Reserves
Balance at 1 April 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 and expense for 2022/23		**5,125**	**1,002**	**6,127**
Balance at 31 March 2023		**8,758**	**7,412**	**16,170**
Changes in taxpayers' equity for 2023/24				
Net Parliamentary Funding		12,820	–	12,820
Comprehensive net expenditure for the year		(13,432)	–	(13,432)
Lease Liability adjustment		6	–	6
Transfer of Asset		29	–	29
Non-cash adjustments				
Defra corporate recharges	4	564	–	564
Defra Investigation Services	4	48	–	48
Auditors' remuneration	4	70	–	70
Movements in Reserves:				
Net gain on revaluation of property, plant and equipment	5	–	524	524
Total recognised income/ (expense) for 2023/24		**105**	**524**	**629**
Balance as at 31 March 2024		**8,863**	**7,936**	**16,799**

The notes on pages 70-89 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2023/24 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 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 all our activities and are prepared on a going concern basis. These statements comply with the principles laid out in the 2023/24 FReM issued by HM Treasury on IAS 1 interpretation of going concern for the public sector sponsored entities. The Management Board has considered the financial position as of 31 March 2024, the business activity forecast for the 2023/24 period and beyond, the reliance on funding from the Department for Environment Food & Rural Affairs (Defra) and the continuation of the regulatory services we provide. They are content that VMD's services will continue to be provided. The VMD is an Executive Agency of Defra, and the Department has agreed the 2024-25 budget. The going concern disclosures on page 26 of the Annual Report detail the basis on which the Accounting Officer considers it appropriate to prepare these Accounts on a going concern basis.

1.3 Key judgements and estimation uncertainty

In the preparation of financial statements, we are 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, we made the following judgements, which have a significant effect on the amounts recognised in the financial statements:

Contract liabilities: We are 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 VMD 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: We recognise when a performance obligation is satisfied in accordance with IFRS 15, that 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 judgements on the acquisition of intangibles from outside VMD and development of new intangibles through in-house innovation and their capitalisation as an intangible asset. The key judgement is whether the intangible would benefit the VMD and the period over which the asset is expected to contribute directly or indirectly to future cash flows (useful/remaining lives). 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 our 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 Royal Institute of Chartered Surveyors (RICS) guidance. There is no active market for VMD property or interlinking Weybridge Estate (see note 1.4 below).

Non-current assets/depreciation: Our non-current assets are 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 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 purchased as a group, each costing £1,000 and totalling more than £10,000 with an expected useful economic life of more than one year are capitalised and shown on the Statement of Financial Position at fair value, using the appropriate indices provided by the Office for National Statistics. Otherwise, they are charged directly to the Statement of Comprehensive Net Expenditure.

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.

We hold 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. We do 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 our freehold building asset, with each component capitalised and depreciated separately. Estimated useful lives, component values and residual values are revised annually.

As part of our annual review, we revised the estimated useful lives of our asset categories. The estimated useful lives from 1 April 2023 are shown below:

Assets are depreciated over the following timescales:

Freehold land	Not depreciated
Freehold buildings[1]	0-60 years
Furniture, fittings and office equipment	0-25 years
IT Hardware	0-15 years
IT Software development and licences[2]	5-15 years

1 The residual life of our building is 33 years as of 31 March 2024
2 Internally generated assets are amortised between 0 – 10 years

Due to parent-child asset relationships, some assets have a useful life outside/below the policy range. Parent-child assets are assets that are grouped together. When a parent-child asset is added to the fixed asset register, the parent asset is capitalised with the purchase cost and depreciated in line with our policy. When a child asset is identified as a component of the parent, it inherits the remaining life of the parent asset when added to the fixed asset register.

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 FReM from 2018-19. 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 conditional 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. We recognise revenue from contracts with customers in accordance with the five-stage model set out in IFRS 15.

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 our 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.

The provisions of defined benefit schemes cover present and past employees, Principal Civil Pension Schemes (PCSPS) (Classic, Classic Plus, Premium and Nuvos), and the Civil Servants and Others Pension scheme (CSOPS) referred to as alpha, which are described in the Remuneration Report. The PCSPS and CSOPS are unfunded multi-employer defined benefit schemes. We cannot identify our share of the underlying assets and liabilities for these schemes and are not liable for the obligations of other entities within the scheme. You can find details in the Cabinet Office: Civil Superannuation resource accounts here.

We account for the scheme per IAS 19 and recognise the expected cost of these pension schemes systematically and rationally over the period during which it benefits from employees' services by payment to the pension schemes calculated on an accruing basis. Liability for future benefits is a charge on the pension schemes on an accruing basis. 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, we recognise the contributions payable for the year.

Starting 1 April 2022, all employees still part of the PCSPS legacy pension schemes have been transferred to the alpha career average scheme. Their contributions to the legacy schemes have ceased, and future benefits will be accrued under the rules applicable to the alpha scheme.

1.9 Defra notional recharges

Defra provides several services centrally, and the cost is shown as notional recharges. These recharges 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 comprise legal, human resources, estates, corporate strategy, and investigation, and enforcement services.

1.10 Value Added Tax (VAT)

Most of our 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

We hold 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 our 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. The accounting standard 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 SoCNE.

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, we assessed whether contracts are in themselves, 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 VMD.

2. Operating income

Revenue from contracts with customers	2023/24 £'000	2022/23 £'000
Veterinary pharmaceutical industry		
Authorisations	3,364	3,374
Graded Annual and Fixed Fees	3,906	3,298
Inspections	861	1,083
Food industry	4,373	4,142
International	357	760
Other income		
Government: Devolved Administrations(1)	83	99
AMR Reference Centre(1)	797	755
Recoveries in respect of outward secondments	235	301
Other recovery of costs(2)	31	40
Total operating income	**14,007**	**13,852**

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 we expect to be entitled to in exchange for transferring promised goods or services in the future, excluding amounts collected on behalf of third parties. We consider 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	2023/24	2022/23
Contract Asset	1,197	960
Contract Liabilities	1,255	1,012

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	2024/25	2025/26	Total	2022/23
Authorisations	954	170	1,124	847
Inspections	131	–	131	136
AMR Reference Centre	–	–	–	29
Total	**1,085**	**170**	**1,255**	**1,012**

As at 31 March 2024, the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied (or partially unsatisfied) is £1.255 million (31 March 2023: £1.012 million) as shown in Note 9. We will recognise this revenue as contracts are progressed to completion, which is expected to occur over the next 12 months. In 2023/24, £896k of the contract liability balance as of Mar 2022/23 (£1,012 million) was recognised as revenue.

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	2023/24	2022/23
Residues surveillance	1,140	832
Authorisations	–	72
Inspections	29	56
International Office	28	–
Total	**1,197**	**960**

The contract asset £1.197 million (31 March 2023: £0.960 million) represents the amount of consideration recognised as of 31 March 2024 when a performance obligation is satisfied however, the payment is still conditional on future performance (as shown in Note 7). In 2023/24, £0.960 million of revenue was recognised as revenue from performance obligations (partly) satisfied as of March 2022/23 (£0.960m). Our 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.	3,364

Contract Type	Categories of performance obligation	Basis of income recognition	Amount £'000
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	3,906
Inspections	Inspection of manufacturers, wholesaler dealers, retailers of veterinary medicines and feed businesses	Income is recognised on completion of an inspection. Invoiced upon completion of the inspection report	470
Inspections annual fees	Licensing 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	390
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	4,373
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	357

3. Staff costs

Staff costs consist of the following:	Permanently employed staff £'000	Temporary staff £'000	2023/24 Total £'000	2022/23 Total £'000
Wages and salaries	8,232	968	9,200	8,033
Social security costs	919	–	919	901
Other pension costs	2,097	–	2,097	1,947
Gross total staff costs	**11,248**	**968**	**12,216**	**10,881**
Less amounts charged to capital projects	–	–	–	(40)
Sub-total as reported in the Statement of Comprehensive Net Expenditure	**11,248**	**968**	**12,216**	**10,841**
Less recoveries in respect of outward secondments	(235)	–	(235)	(301)
	11,013	**968**	**11,981**	**10,540**

Included in the permanently employed staff costs is an accrual for untaken annual leave of £237k (2022/23: £219k). More information on staff cost can be found in the Remuneration Report.

4. Other non-staff operating expenditure

Purchase of services	Note	2023/24 £'000	2022/23 £'000
Statutory Residues Surveillance		4,015	3,665
Research and Development Programme		758	1,149
Antimicrobial Resistance Programme and Surveillance		635	766
Antimicrobial Resistance Reference Centre		1,126	1,025
Other direct sub-contracted services		27	17
Sub-total purchase of services		**6,561**	**6,622**
Non-cash items			
Depreciation of property, plant and equipment	5	474	407
Amortisation of intangible assets	6	686	695
Impairment of intangible assets	6	1,558	–
Depreciation of Right-of-Use assets	5	6	15
Software as a Service[2]	6	330	–
Defra service recharges:			
Estates maintenance		364	327
Human resources		127	113
Defra Investigation Services		48	120
Legal services		73	49
Auditors' remuneration		70	53
Sub-total non-cash items		**3,736**	**1,779**
Other operational expenditure			
Professional programme and technical services[1]		3,040	2,556
IT systems maintenance[1]		956	981
Travel and subsistence		319	482
Training		117	102
Staff related costs		111	135
Communications		52	60
Office related goods and services		174	149
Operating leases		27	14
Internal Audit		47	45
Stationery and publications		30	32
Independent expert committees		15	16
Customer relations and publicity		3	4
Movement on expected credit loss		5	(7)
IR35 – Contractor Tax and NI		–	234
Other costs[1]		30	44
Sub-total other operating expenditure		**4,926**	**4,847**
Total non-staff operating expenditure		**15,223**	**13,248**

1 The 2022/23 comparative includes an adjustment of £160k, where IT consultancy/contractors were recategorised from IT systems maintenance to Professional programme and technical services.
2 The cost of Software as a Service that does not meet the capitalisation criteria.

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

5. Property, plant and equipment

	Land £'000	Buildings £'000	Information Technology £'000	Furniture & Fittings £'000	ROU Motor Vehicles £'000	Total £'000
Cost or Valuation:						
At 1 April 2023	352	6,486	719	338	21	7,916
Additions	–	–	–	100	–	100
Transfers	–	–	–	29	–	29
Disposals	–	–	(162)	(10)	–	(172)
Revaluation	–	63	7	11	–	81
At 31 March 2024	**352**	**6,549**	**564**	**468**	**21**	**7,954**
Depreciation:						
At 1 April 2023	–	–	(615)	(243)	(15)	(873)
Charged in year	–	(457)	(8)	(9)	(6)	(480)
Disposals	–	–	162	10	–	172
Revaluation	–	457	(6)	(8)	–	443
At 31 March 2024	**–**	**–**	**(467)**	**(250)**	**(21)**	**(738)**
Carrying Value						
At 31 March 2024	**352**	**6,549**	**97**	**218**	**–**	**7,216**
Cost or Valuation:						
At 1 April 2022	340	5,889	727	315	–	7,271
Additions	–	–	–	–	–	–
Adoption of IFRS 16 Leases	–	–	–	–	21	21
Disposals	–	–	(28)	(6)	–	(34)
Revaluation	12	597	20	29	–	658

	Land £'000	Buildings £'000	Information Technology £'000	Furniture & Fittings £'000	ROU Motor Vehicles £'000	Total £'000
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**
At 31 March 2022	340	5,889	118	95	–	6,442

Land and buildings are subject to professional valuation at no more than five yearly intervals. These are carried out by professionally qualified independent valuers (Montagu Evans), in accordance with the guidance issued by the RICS. 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 2024, VMD's Land and Buildings is valued at £6.901m, a net increase of £0.063m from the valuation at 31 March 2023 (£6.838m).

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 are applied according to the use categorisation. This review also considers the remaining economic life of the buildings. All our assets are owned, and none are held under finance leases.

Right-of-Use asset is for six motor vehicles leased from 2018 for four years with an option to extend by one year. As of 1 April 2023, the right-of-use value recognised in line with IFRS16 is £21k (2022/23: £21k). As of 31 March 2024, the net book value is £nil (2022/23: £6k). The leased vehicles are in use but on a monthly contract. The cost is included under operating leases on Note 4.

6. Intangible assets

	Internally Generated Software £'000	IGS – Assets Under Construction £'000	IT Software and licences £'000	Total £'000
Cost or valuation:				
At 1 April 2023	6,295	2,567	1,022	9,884
Adjustments	–	–	(391)	(391)
Additions	849	658	–	1,507
Reclassification	2,009	(2,009)	–	–
Impairments	(1,000)	(558)	–	(1,558)
Disposals	–	–	(29)	(29)
At 31 March 2024	**8,153**	**658**	**602**	**9,413**
Amortisation:				
At 1 April 2023	(1,913)	–	(533)	(2,446)
Adjustments	–	–	61	61
Charged in year	(675)	–	(11)	(686)
Impairments	–	–	–	–
Disposals	–	–	29	29
At 31 March 2024	**(2,588)**	**–**	**(454)**	**(3,042)**
Carrying Value				
At 31 March 2024	**5,565**	**658**	**148**	**6,371**
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**
At 31 March 2022	**5,012**	**1,429**	**512**	**6,953**

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 £0.414m; Licensing £0.845m; Adverse Event

Reporting £0.390m; Service Hub £0.440m; Secure Messaging £0.266m; Cloud Infrastructure £0.398m; and Special Imports System £2.824m. The remaining amortisation period for all these assets are 6.5 years except for the Adverse Event Reporting system and Special Imports system.

The Licensing asset was brought into use in September 2020. It is the core function of Veterinary Medicines Digital Service (VMDS) that provides the ability for a Market Authorisation Holder (MAH) to be able to submit an application for a marketing authorisation (licence).

The Adverse Event Reporting system was brought into use in April 2019 with additions in March and April 2020. An impairment review carried out during the year identified £1.0m impairment due to the development of new technology. This made it incompatible with the future development. The remaining amortisation period was revised to two years.

The Special Imports System (SIS) was brought into use in January 2024. It allows veterinary surgeons to apply to import veterinary medicines into the UK when the product is available on the UK market. The remaining amortisation period is 9.8 years.

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

Special Imports System Navigator Build Phase 2 £0.50m and Navigator Platform £0.16m both added in March 2024. The SIS Navigator Build phase 2 will continue the Implementation of the replacement for the legacy Imports service.

The Navigator Platform will create a foundation of reusable components and infrastructure to allow the efficient creation of services to replace the legacy modular systems.

An impairment review carried out during the year identified that the Identity & Access Management (IDAM) £0.558m was fully impaired due to recent changes in technology meaning that the need to develop IDAM is no longer required, and a better long term sustainable solution will be delivered at a lower cost in both development and ongoing maintenance.

IT Software and Licences include an adjustment (£330k) for Software as a Service (Pharmacovigilance software for adverse event report processing and Amazon web services) removed from the balance for IT software and Licences as they did not meet the capitalisation criteria. The cost is shown under Note 4, non-cash items. The net book value for IT Software and Licences includes development costs for expenses@work system £0.091m and other purchased Software £0.049m.

Cash additions (adjusted for capital accruals) shown in the Statement of Cash Flow amount to £1,488,000 (2022/23 £1,180,000).

7. Trade receivables and other current assets

Amounts falling due within one year	31-Mar-24 £'000	31-Mar-23 £'000
Amounts falling due within one year:		
Trade receivables	887	746

Amounts falling due within one year	31-Mar-24 £'000	31-Mar-23 £'000
Other receivables	5	11
VAT recoverable	470	406
Prepayments	329	366
Contract Assets	1,197	960
Total trade receivables and other current assets	**2,888**	**2,489**

Trade receivables are shown net of a provision of £31,000 (2022/23: £31,000) 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

	2023/24 £'000	2022/23 £'000
Balance at 1 April 2023	2,770	3,738
Net change in cash and cash equivalents	1,675	(968)
At 31 March 2024	**4,445**	**2,770**

Cash and cash equivalent balances were held in accounts administered by Government Banking Services. The increase in the cash balance as of 31 March 2024 is due to the timing of cash from Market Authorisation holders forecasted for April, which was received in March.

9. Trade payables and other current liabilities

	31-Mar-24 £'000	31-Mar-23 £'000
Amounts falling due within one year:		
Trade payables	42	517
Other taxation and social security	470	403
Accruals	2,354	1,632
Lease liability	–	6
Contract liabilities	1,085	879
Total trade payables and other current liabilities	**3,951**	**3,437**
Amounts falling due after more than one year		
Contract liabilities	170	133
Total trade payables and other liabilities	**4,121**	**3,570**

10. Capital commitments

There were no contracted capital commitments at 31 March 2024 (31 March 2023: nil).

11. Leases

Disclosures around Right-of-Use asset

	31-Mar-24 £'000	31-Mar-23 £'000
Balance at 1 April 2023	21	–
ROU on adoption of IFRS16	–	21
Depreciation expense on ROU asset	(6)	(15)
Accumulated Depreciation expense on ROU asset	(15)	–
At 31 March 2024	**–**	**6**

Disclosures around lease liabilities

Obligations under leases for the following periods comprise:

	31-Mar-24 £'000	31-Mar-23 £'000
Balance at 1 April 2023	6	–
Lease liability on adoption of IFRS16	–	21
Lease payment b/f	–	–
Lease payments in-year	(6)	(15)
Interest expense on lease liabilities*	–	–
At 31 March 2024	**–**	**6**

*Interest expense on lease liabilities is £0.057k

	31-Mar-24 £'000	31-Mar-23 £'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

We benefit from certain services that are provided centrally by Defra, including facilities management provided by Mitie up to March 2024. A new contract was agreed with Integrated Service Solutions (ISS) from April 2024. These services are agreed and managed through service level agreements between VMD 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 £364k (2022-23: £327k) as disclosed in note 4.

13. Related party transactions

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

We 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 VMD during the year other than salaries and reimbursement for travel and subsistence in the normal course of business. Details of key management compensation can be found in the Remuneration Report on page 44.

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 our expected purchase and usage requirements and we are therefore exposed to little credit, liquidity or market risk.

15. Events after the reporting period

Our 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.

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