Veterinary Medicines Directorate

# Veterinary Medicines Directorate Annual Report & Accounts

# 2025/26

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

HC 314

# Veterinary Medicines Directorate

## Annual report and accounts 2025-2026

For the period 1 April 2025 to 31 March 2026

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

Report presented to the House of Commons by Command of His Majesty

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# Contents

# 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 pleased to present the Veterinary Medicines Directorate's Annual Report and Accounts for 2025–26.

This has been a complex and demanding year for the VMD, shaped by global animal disease pressures, antimicrobial resistance, and continued regulatory and operational change following the Windsor Framework. Throughout the year, we have remained focused on our core purpose: protecting animal health and welfare, safeguarding public health, and minimising risks to the environment through proportionate, science-led regulation.

Despite ongoing pressures on capacity and the constraints of legacy systems, the organisation delivered strongly against its statutory responsibilities. Performance improved across several key regulatory services, with a return to timeliness levels that meet published standards and stakeholder expectations. We authorised new veterinary medicines and vaccines to support disease prevention, food security and market resilience, while maintaining the integrity and independence of regulatory decision-making.

Antimicrobial resistance remains a critical long-term risk. During the year, the VMD played a central role in delivering the veterinary component of the UK's AMR National Action Plan, supported by robust surveillance, evidence-led policy advice, and collaboration across government, industry and the veterinary profession. This One Health approach continues to underpin our work domestically and internationally.

A substantial focus this year was the end of the Northern Ireland grace period. Working closely with Defra, devolved administrations, industry and other regulators, we supported continued availability of veterinary medicines in Northern Ireland. No significant supply issues were identified, reflecting early engagement and coordinated delivery.

We also strengthened organisational resilience through targeted recruitment, investment in capability and training, clearer governance arrangements, and continued progress on digital modernisation and cyber resilience. While these programmes remain challenging, they are essential to sustaining effective regulation.

I would like to thank colleagues across the VMD for their professionalism and commitment, and our Board members for their support and challenge. Looking ahead, we remain focused on sustaining regulatory performance, supporting medicine availability, strengthening surveillance and evidence, and investing in our people and systems.

**Abigail Seager**
Chief Executive

## Statement by the Chair of the Management Board

The Agency continues to play a vital role in protecting animal health, safeguarding public health, and supporting the effective functioning of the UK's food system. Looking out into the wider world, one observes that the Agency is not immune from geo-political events, and that its work has had to be constantly shaped (and re-shaped) to address those challenges- I particularly note the focus that has been needed to contribute to the government's policies on trade; to the security of supply chains; to domestic regulatory reform; to support international capacity building, and to respond to emergent issues in regard to potential threats to the environment.

During the year, the organisation has maintained a strong focus on the responsible use of antimicrobials, contributing to the UK's wider efforts to address antimicrobial resistance. This remains a key priority, and the progress reported reflects ongoing collaboration with partners across government, industry, the veterinary profession and importantly, internationally.

A small increase in its professional and committed team, along with some progress on new technology, have helped to improve services for stakeholders, whilst maintaining the integrity of regulatory decision-making.

The Board has now been fully resourced, and I am pleased that this has enabled the much-needed separation of accountabilities between the Board, and the Audit and Risk Assurance Committee. This has strengthened the organisation's governance and enabled the Board to focus on a prioritised agenda, closely tailored to the challenges and risks that the Agency is facing, which enables appropriate professional advice to be given to our talented and committed executives.

I would like to thank all my colleagues for their hard work, and strong commitment to VMD- it is a pleasure to work with them.

**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 Vision

To ensure the responsible, safe and effective use of veterinary medicines.

## Our Mission

To protect public health, animal health, the environment and promote animal welfare by assuring the safety, quality, and efficacy of veterinary medicines.

## Our Values

We work in accordance with our values with the aim to foster a cohesive culture, improve decision-making, and enhance stakeholder trust.

### 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, biosecurity 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 Animal Welfare and Biosecurity. More information on our governance is set out in our Framework Document.

## What we do

The Veterinary Medicines Directorate (VMD) is the UK's regulatory authority for veterinary medicines and an executive agency of the Department for Environment, Food and Rural Affairs (Defra).

We regulate veterinary medicines to protect **animal health and welfare**, **public health**, and the **environment**, while supporting the effective functioning of the veterinary medicines market. Through our work, we contribute directly to Defra's Outcome Delivery Plan by enabling safe, sustainable food production, managing animal disease risk, and supporting a resilient and innovative agricultural and veterinary sector.

### Regulating veterinary medicines

Our core role is to ensure that veterinary medicines placed on the UK market meet appropriate standards of **safety, quality and effectiveness**, and that they are manufactured, supplied and used in accordance with the law.

We are responsible for:

- developing, maintaining and enforcing the **Veterinary Medicines Regulations** on behalf of the Secretary of State;
- assessing applications for, and granting, **marketing authorisations** for veterinary medicinal products in Great Britain, and supporting regulatory arrangements for Northern Ireland;
- regulating the **manufacture, distribution and supply** of veterinary medicines;
- monitoring and investigating **adverse events and safety concerns** through pharmacovigilance; and
- delivering statutory **surveillance and residues testing programmes** to protect food safety and consumer confidence.

These activities support Defra's objectives on animal health, biosecurity and food standards by ensuring that veterinary medicines are regulated proportionately and, on a science-led basis.

## Supporting responsible use and antimicrobial resistance objectives

VMD contributes regulatory expertise to the UK Government's approach to **antimicrobial resistance (AMR)**, supporting Defra's wider objectives on sustainable agriculture and public health protection.

We work with veterinary professionals, livestock sectors and other stakeholders to promote the **responsible use of veterinary medicines**, including antimicrobials. During 2025–26, this included supporting the development and early implementation of the UK National Action Plan, Confronting antimicrobial resistance 2024 to 2029.

## Enabling availability, innovation and market confidence

While remaining within our statutory remit, we support the **availability of veterinary medicines** by providing clear, predictable and proportionate regulatory pathways. This helps to maintain confidence for businesses operating in the UK veterinary medicines market and supports innovation where it aligns with regulatory standards.

Our approach contributes to Defra's economic and growth objectives by helping to ensure that regulation supports:

- continuity of supply for essential veterinary medicines;
- innovation to address emerging animal health risks; and
- fair and effective market operation.

## International engagement

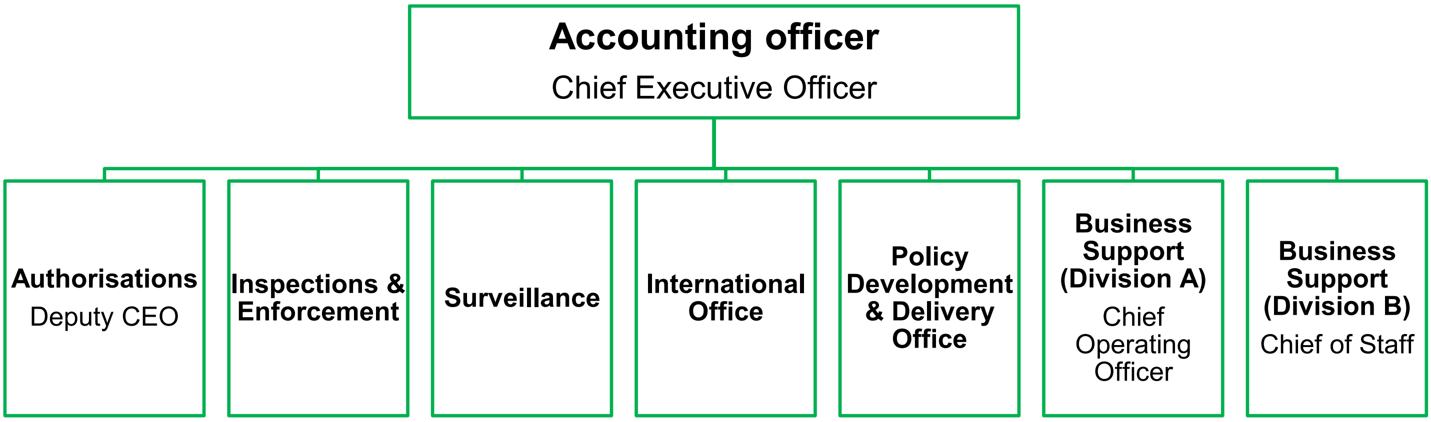
We work with international partners to support regulatory cooperation and alignment where appropriate. We also provide technical assistance to support improvements in veterinary medicines regulation in low- and middle-income countries, contributing to global animal health and disease prevention.

Through effective regulation, VMD supports economic confidence in the veterinary medicines sector. By providing clear regulatory frameworks and proportionate oversight, we help enable investment, innovation and trade while safeguarding public and animal health. Our work underpins the resilience of livestock production and the wider agri-food system, contributing indirectly to economic growth and food security.

More details on our aims and responsibilities and information about our operating structure and governance are available on GOV.UK.

## Our organisational structure

We are structured into five groups and two offices, each led by a member of the Executive Management Board (EMB).




In 2025-26, the business support group was split into two divisions to improve overall efficiency.

Supporting EMB is the Senior Leadership Team (SLT) which is made up of EMB members and others from senior positions throughout the business. The SLT is to enable strategic discussions of the VMD’s policy, operational, corporate and programme work. They are also responsible for effectively implementing transformational change and improvements to ways of working.

More details on our governance structure can be found in the Governance Statement on page 34.

## Performance overview

The world that VMD operates in is fast-changing, especially regarding the multiple animal disease threats which once were unknown in the UK and now require urgent action to bring new products to market which help to safeguard not only animal health, but also human health and the food chain. Despite continuing challenges of resourcing, both in staff and technology, VMD's professional and committed team continued to deliver not only vital regulatory functions but also to provide expert intervention and facilitation to underpin and support the Government's Growth strategy in such areas as supply chain resilience and cross border trade.

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

### Performance report summary March 2026

| | 2025/26 | | 2024/25 | | 2023/24 | |
|---|---|---|---|---|---|---|
| **Activity** | **Number** | **Average performance** | **Number** | **Average performance** | **Number** | **Average performance** |
| National Applications | 3,601 | 100% | 2,824 | 96% | 2,885 | 99% |
| Other Applications | 7,487 | 99% | 6,753 | 56% | 5,560 | 80% |
| European (NI) applications | 498 | 100% | 610 | 100% | 451 | 100% |
| Public Assessment Reports | 263 | 88% | 273 | 99% | 186 | 100% |
| Number of unreturned documents | 8,036 | 96% | 6,281 | 96% | 4,472 | 97% |
| Products Defects received | 83 | 100% | 73 | 100% | 92 | 100% |
| Adverse Event Reports and PSURs | 3,596[1] | 99% | 5,395 | 89% | 10,671 | 97% |
| Import, Export and Batch Release Schemes | 4,100 | 100% | 3,794 | 99% | 3,781 | 99% |
| Residues - Sample testing | 28,689 | 99% | 30,845 | 94% | 33,868 | 99% |
| Inspections | 677 | 100% | 630 | 100% | 745 | 100% |

1. For 2025-26 Adverse events reports includes Benefit Risk reports and Signal notifications validated.

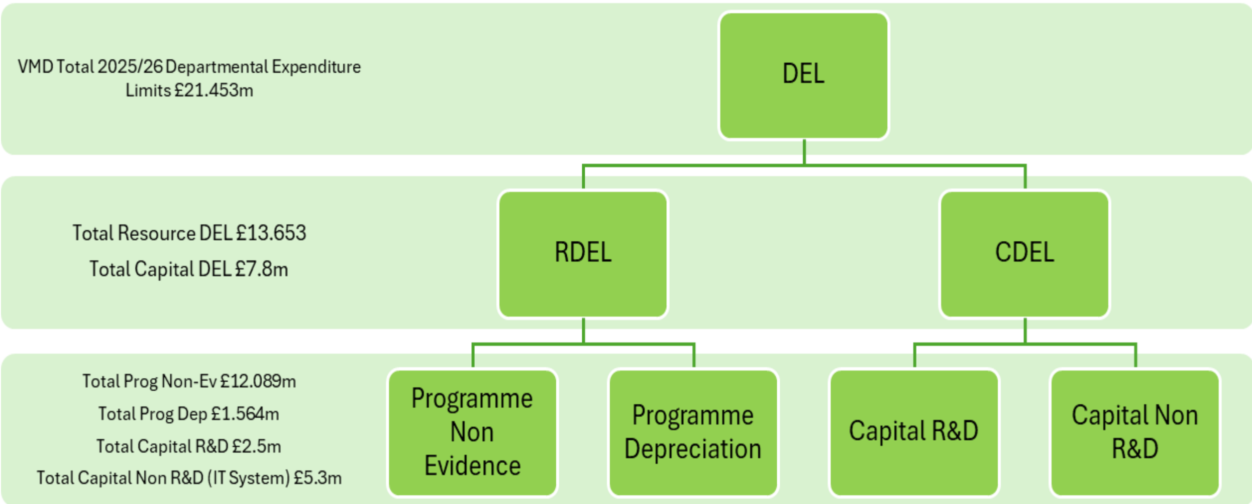
We continued to successfully coordinate and deliver the animal health-specific aspects of the cross-government 20-year AMR vision and 5-year action plan working with veterinary professionals and the agriculture industry to implement commitments and advancing our understanding through R&D projects and surveillance initiatives.

During the year, we laid and published the Veterinary Medicines Regulations (VMR) that set out the controls on the authorisation, manufacture, supply, possession, and administration of veterinary medicines and medicated feed. These controls are required to ensure the protection of animal health, public health, and the environment. The VMR also sets out the statutory fees associated with various regulatory services the VMD provides. The statutory fees and fee structure became effective on 17 May 2024.The Performance Analysis section provides more details about our performance.

## Funding

### Defra Funding

As part of the Main Estimate, we received a budget allocation of £21.45 million, of which £13.65 million is Resource Departmental Expenditure Limit (DEL) and £7.8 million is Capital Departmental Expenditure Limit (CDEL). The budget includes £0.4m savings and efficiencies identified during the SR25 settlement. Our CDEL allocation includes £5.3 million for Digital Portfolio Prioritisation and £2.5 million for Science Research and Development (R&D).




### Budget trend analysis

The table below captures the departmental funding over a period of 5 years.

| | 2021/22 Budget | 2022/23 Budget | 2023/24 Budget | 2024/25 Budget | 2025/26 Budget | 2026/27 Plans |
|---|---|---|---|---|---|---|
| Resource DEL (£'m) | 14.3 | 12.3 | 12.2 | 9.4 | 13.7 | 11.5 |
| Capital DEL (£'m) | 3.3 | 2.6 | 2.9 | 4.2 | 7.8 | 6.7 |
| **TME (£'m)** | **17.6** | **14.9** | **15.1** | **13.6** | **21.5** | **18.1** |

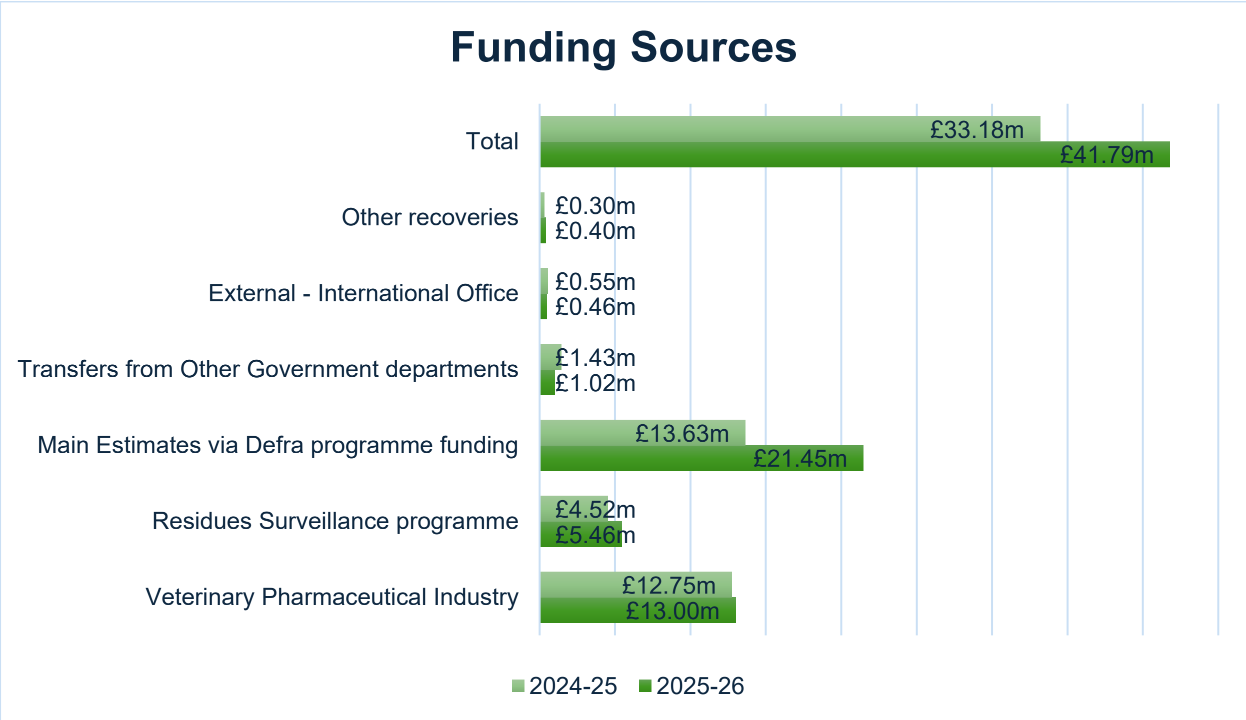
## Total Funding

Additionally, we received fees of £18.45 million through the provision of regulatory services to the Veterinary Pharmaceutical Industry and the Residues Surveillance programme. Our regulatory services include authorising veterinary medicines, inspecting the supply of veterinary medicines and veterinary surgeons, and analysing samples from food-producing animals.

We also received income of £1.9 million from other sources which are presented in the below Funding Source chart.

Details on the outturn for the year can be found in the Financial Outturn on pages 26-28.

## Funding Sources



# Our objectives and key performance indicators

| Objectives and key performance indicators | Progress |
|---|---|
| **1. Our people**<br>To ensure we maintain a well-trained, motivated and content workforce that nurtures our diversity.<br>**KPI:** Increase our Civil Service People Survey engagement score percentage from prior year | **Met:** A sustained focus on our people and managing the continual pressures from a challenging year meant that we still managed to increase the Civil Service People Survey engagement score to 65% |
| **2. Policy making and delivery**<br>To ensure the legislation underpinning our work and the GB and NI regulatory frameworks remains effective and fit for purpose.<br>**KPI:** To participate in negotiations with the Commission and meet key milestones as determined by the Commission | **Met:** The work to prepare for and implement the end of Grace Period in Northern Ireland was successful. The residues surveillance programme fees SI has been processed. |
| **3. Regulatory Service**<br>To deliver core regulatory services with overall performance against published standards at or above the effective level.<br>**KPI:** Achieve above effective target | **Met**: There were 38 measures defined within our published standards, out of which 22 were compliant 100% of the time. A further 13 were complaint between 95% and 99%, 2 between 85% and 94% of the time. Only 1 standard fell below 85%. |
| **4. Global influence and recognition**<br>To work with other global regulatory jurisdictions to facilitate the assessment of products and post authorisation regulations for our respective marketplaces.<br>**KPI: A**. Maintain regular liaison with overseas veterinary medicines regulators, with monthly engagement with the USA, Canada, Australia and New Zealand, and quarterly with Swissmedic[1].<br>**B.** Participate in VICH[2] activities, including guideline development, meetings and dossier structure work.<br>**C.** Complete deliverables as agreed with our funders. | **KPI A Substantially met:** Monthly "Quints" meetings hosted/participated, latterly also incorporating Swissmedic. Objectives outlined within MoUs progressed, including our first parallel assessment with Swissmedic.<br>**KPI B Met:** VICH[2] steering committee and working group participation fulfilled.<br>**KPI C Substantially met**: We successfully completed the deliverables agreed with our funders. The key highlights of these activities are detailed in the Performance Analysis section.<br>1.SWISSMEDIC is Swiss authority responsible for authorisation and supervision of therapeutic products.<br>2.VICH is an international programme aimed at harmonising technical requirements for veterinary product registration. VMD is a standing member of the VICH steering committee. |

| | |
|---|---|
| **5. Business compliance**<br>a) To maintain full cost recovery for regulatory services.<br>b) To maintain business certification against ISO 9001 and ISO 27001. | a) **Substantially Met:** We achieved 99% cost recovery for regulatory services.<br>b) **Met:** ISO certification for both ISO 9001 and 27001 was maintained. |

**Outcome Key**

- **Met**: Achieved 100% of the target
- **Substantially achieved**: Reached between 95% and 99% of the target
- **Partially met**: Delivered between 75% and 94% of the target
- **Not met:** Delivered less than 75% of the target

## Principal risks

Our 2 highest rated risks are "Breach of physical or cyber security" and "Failure of, or a delay to the planned IT Programme". Throughout the year significant effort was put in to reduce the risks to Delivery of Regulatory and Policy Obligations which was most influenced by a lack of skilled resources. A continual cycle of recruitment was driven by an enhanced team, and they successfully reduced the vacancies and ensured the corresponding training programmes were being implemented for new starters. This training can take a significant period of time depending upon the specific technical needs of the role.

During the year, we faced a number of interconnected risks that challenged our ability to deliver corporate priorities. These included ensuring the effective delivery of Antimicrobial Resistance (AMR) National Action Plan, the Windsor Framework and the ambiguity in addressing the marketing authorisation process between GB and NI, adapting to evolving regulatory requirements, and responding to pressures on the availability of vaccines for companion and livestock animals. We also continued to manage environmental concerns and the need to replace legacy IT systems. While we have taken steps to reduce these risks, including increasing collaboration, investing in capability, and progressing key programmes, their combined impact remains a key focus for us moving forward.

The Governance Statement in section 2.3 of this report provides further detail on the key risks and our approach to managing them.

# Performance analysis

## Regulatory activities

### The Authorisation Group

Overall, this was a strong year for Authorisations, despite some challenges. Performance returned to the levels we aim to deliver for industry and the public.

Validation and issuing results improved to **over 90% compliance** with published standards (up from **37.5%** and **33.2%** in 2024/25).

| Performance snapshot (published standards) | Measured against 31 published standards |
|---|---|
| 100% compliant | **15** standards |
| 95–99% compliant | **12** standards |
| 85–94% compliant | **2** standards (92.4% and 90%) |
| Below 85% compliant | 1 KPI: updating existing Public Assessment Reports |
| External quality assurance | Veterinary Products Committee (VPC) rated our assessment of new marketing authorisation applications as **"substantial"** (highest rating) |
| Delivery volumes (2025/26) | **20** vaccines authorised; **130** marketing authorisations issued for pharmaceutical products |

**Contribution to growth and resilience**
Authorising veterinary medicines and vaccines supports rural economies and related sectors. Over the year we authorised **20 vaccines**, helping to support disease prevention and maintain food security. We also issued in excess of **100 marketing authorisations** for pharmaceutical products during 2025/2026. Protecting animal health & welfare, human health and the environment is a priority for the team and the VMD.

**Capability and capacity**
Biological products are seeing the greatest impact in terms of novel therapies and technologies. Consequently, assessments are complex but necessary to ensure we have assurances that products are safe and efficacious. As a stand-alone regulator, we assessed a similar portfolio to the European Medicines Agency (EMA). To help manage workflows for biological products, the team operates submissions slots, and we appreciate that companies have experienced difficulties in matching these slots with marketing strategies. In mitigation, over the year we have increased the biologicals team by **five** people, with plans to grow further.

**Submission routes and international collaboration**
We continue to offer multiple submission routes for industry. Where possible, we run Northern Ireland applications submitted under European Decentralised Procedures in parallel with the equivalent national GB application. We also encourage uptake of joint review/joint assessment opportunities with other regulators. During the year we received our first joint review application with **SwissMedic**. We also signed a

**Memorandum of Understanding** (MOU) with the **Canadian regulator** responsible for biological products, creating a platform for further joint work. In wider international collaboration we contributed to the development and review of **VICH** (International Cooperation on Harmonisation of Technical Requirements for Registration of Veterinary Medicinal Products) **guidelines**, including supporting the review of the environmental guideline for companion animal products.

**Responding to emerging risks**
The team needed to respond quickly to exotic disease incursions by shifting resources at short notice to assess products required to manage outbreaks (e.g. Blue Tongue Virus and Highly Pathogenic Avian Influenza). Facing into this work and moving away from business-as-usual assessments supported food security and rural economies but did delay assessment of other vaccines.

**Environment and responsible use**
The environment remains a priority for the VMD. We continued to improve our understanding of the environmental impacts of certain active substances used in companion animal ectoparasiticides. We act as Secretariat for the Pharmaceuticals in the Environment Group and, with support from the R&D team, are exploring companion animal owner behaviours.

We are developing a programme to raise awareness of responsible stewardship, including product disposal. Good progress is being made against our published roadmap. Early in 2026/27 we will initiate a **Call for Evidence** on companion animal ectoparasiticides containing **Fipronil** and **Imidacloprid**.

**High-priority delivery: Northern Ireland Grace Period**
New supply and certification frameworks came into effect from 1 January 2026 for the movement of veterinary medicines from Great Britain to Northern Ireland. The team played a significant role in supporting preparations for the end of the Grace Period. This included working with industry to process variations as Marketing Authorisation Holders move to comply with EU requirements in Northern Ireland.

We helped to support implementation of the Health Situation Scheme and the Internal Market Scheme to help maintain the availability of veterinary medicines in Northern Ireland.

**Ministerial correspondence and information requests**
The team supported Ministerial correspondence, including increased volumes linked to Northern Ireland impacts in the run-up to, and following, the end of the grace period. We also handled 99% of Freedom of Information and other access to information requests within statutory targets, with elevated volumes driven in part by sustained media campaigns on specific issues.

| Statistics | 2025/26 | 2024/25 |
|---|---|---|
| Freedom of Information Requests | 167 | 92 |
| Environmental Information Regulations Requests | 10 | 5 |
| Ministerial Correspondence | 135 | 22 |

## Research, Innovation, Sustainability & Evidence Team (RISE)

RISE Provided support to policy leads across the VMD to commission, monitor, and manage R&D projects, that impact on our policy development. This included supporting Antimicrobial Resistance, Anthelmintic Resistance, use of AI in adverse event reporting, and projects related to Pharmaceuticals in the Environment.

**Vaccine availability**
The team continued to play a key role in understanding the causes of vaccine availability issues and identifying how these can be addressed. Given that these issues are multifactorial, we brought together key stakeholders across relevant sectors to clarify roles and raise awareness of what is needed to maintain vaccine availability. We published a **Statement of Intent** and over the coming year, we will build on this by developing an action plan so everyone involved in vaccine development, manufacture, production and vaccine use can play their part.

This is just a snapshot of our work and priorities, which impacts across society. Our activities support animal health and welfare, human health, and the environment. The assurances we provide during initial assessment of applications and then later during our post marketing Pharmacovigilance surveillance, as products are used in wider populations, ensure that the benefits of using products in accordance with the authorised packaging outweigh any risks. The commitment and expertise of our people played a significant contribution to our successful delivery over the year.

## The Inspection and Enforcement Group

During the year, the Inspections and Enforcement Division delivered an expanded programme of regulatory activity across inspections, enforcement, training and collaboration.

**Inspection Activity**
We conducted inspections across the veterinary medicines and medicated animal feed supply chain to ensure compliance with the Veterinary Medicines Regulations (VMR). Inspection volumes increased compared with 2024/25 following the successful embedding of two inspectors recruited at the end of the 2023/24 reporting period. In addition, a new inspector was recruited for the Southeast region earlier in the year, who is expected to be fully trained during the next reporting period, further strengthening regional inspection capability.

| Inspection type | 2025/26 volume |
|---|---|
| Manufacturers, wholesale dealers and retailers of veterinary medicines | 926 |
| Manufacturers and distributors of medicated animal feeds | 123 |
| **Total inspections undertaken** | **1,049** |

**Training and International Support**
Working jointly with VMD training centre, we delivered two sector-focused training courses: one for Wholesale Qualified Persons (WQPs) and one for veterinary dispensary managers, gathering over £37,000 and receiving excellent feedback with 92% rating. We expect these activities to contribute to improved compliance with regulatory requirements across the veterinary medicines sector.

### Collaboration with UK and International Partners

We worked closely with UK regulatory partners, including the Medicines and Healthcare Regulatory Agency (MHRA) and the Royal College of Veterinary Surgeons (RCVS), to reduce regulatory burden on businesses and industry. Joint inspections were carried out alongside Trading Standards officers, and we collaborated with Food Standards Scotland to deliver training on feed manufacturer inspections, sharing expertise and improving consistency of approach. Internationally, we conducted four overseas Good Manufacturing Practice (GMP) inspections jointly with EU inspectors. We also completed two additional overseas inspections where colleagues from the French regulatory agency were unable to attend; in both cases, our inspection outcomes were accepted by the French authority, demonstrating confidence in our regulatory standards and capability.

### Stakeholder Feedback and Service Quality

We continued to seek structured feedback from businesses following inspections to assess the quality and effectiveness of our service, with the introduction of a simpler online feedback process during this year.

| Measure | Result |
|---|---|
| Number of feedback forms received | 102 |
| Overall inspection rating | 4.92 out of 5 |

The inspection rating reflects consistently positive experiences reported by stakeholders. We consider the increased response rate particularly valuable as the feedback informs continuous improvement and helps ensure that inspections remain proportionate, professional and effective.

### Enforcement Activity and Compliance

We continued to work closely with a wide range of enforcement partners within the UK and internationally to address the illegal supply and misuse of veterinary medicines. Targeted compliance activity included visits to gamebird veterinary practices following concerns about prescribing practices in this sector. These visits provided assurance on compliance with regulatory requirements and supported responsible prescribing, particularly in relation to antibiotic use. Further work is planned in this area.

| Enforcement activity | 2025/26 outcome |
|---|---|
| Illegal online marketplace listings removed | More than 850 |
| Primary breaches identified | Supply of illegal medicines; unauthorised supply of authorised medicines |

We are now working directly with online platforms to reduce the likelihood of illegal listings appearing and to protect consumers from purchasing medicines from illegitimate sources.

### Transparency and Proactive Regulation

We launched a new report covering the work of the Inspections and Enforcement Division during the year. The report is intended to be published every two to three months with the aim to support proactive compliance by helping stakeholders understand regulatory expectations and the consequences of non-compliance, thereby reducing the need for reactive enforcement action in the future.

## The Surveillance Group

Antimicrobial resistance (AMR) and residues surveillance remain central to the VMD's role in protecting animal health, public health and the environment. During the year, activity focused on delivering commitments under the UK's second National Action Plan (NAP) for AMR (2024–2029), strengthening surveillance so that evidence drives action, supporting sector led antibiotic stewardship, and maintaining high levels of regulatory compliance.

**Antimicrobial Resistance: Surveillance and Evidence**

Progress under the AMR NAP is primarily monitored through surveillance of antibiotic sales, usage and resistance, reported annually through the Veterinary Antimicrobial Resistance and Sales Surveillance (VARSS) report. The 2025 VARSS report showed an overall encouraging picture for key resistance indicators in healthy pigs and poultry, with total antibiotic sales for food-producing animals remaining stable and representing a 57% reduction since 2014.

Despite this overall progress, recent increases in antibiotic use in certain sectors, particularly pigs and gamebirds, underline the need for continued vigilance. If sustained, such trends would be expected to be reflected in resistance patterns. Occasional detection of resistance to antibiotics used only in human medicine reinforces the importance of a One Health approach, including consideration of potential environmental transmission routes.

**Strengthening Surveillance and Reporting**

Surveillance data is used explicitly as evidence to drive action. During the year, the VMD continued to strengthen surveillance by improving both the coverage and accessibility of AMR data. Enhancements included aligning antimicrobial use metrics with those used by other European countries to support international comparison, expanding reporting of long-term resistance trends in sick animals using clinical surveillance data, and launching a new interactive VARSS data dashboard.

Known gaps in surveillance coverage continued to be addressed. Antibiotic use data from the equine sector was included in the 2025 VARSS report for the first time. Clinical surveillance was further expanded through the inclusion of AMR results from private laboratories across livestock, companion animals, horses and fish. This work was supported through the Integrated Security Fund Biosecurity Portfolio, with a further two years of funding secured.

A significant development during the year was the launch of a pilot to explore AMR surveillance approaches in healthy cats and dogs. The project commenced with a public survey and voluntary submission of faecal samples, generating strong response rates and providing an important foundation for future companion animal surveillance.

**Antibiotic Stewardship and Delivery of Change**

Alongside surveillance, the VMD continued to support sector led action to improve antibiotic stewardship. During the year, livestock sectors developed and published their third set of antibiotic use targets, endorsed by the Animals, Plants, Food and Environment Delivery Board under UK AMR NAP governance. This long-standing approach, coordinated by the Responsible Use of Medicines in Agriculture Alliance since 2017, has contributed significantly to sustained reductions in antibiotic use. Building on this model, the dog and cat sectors introduced antibiotic use targets for the first time in 2025, supported by clearer condition specific prescribing guidance to promote consistent and responsible use in companion animals.

**International Engagement and Accountability**

The UK remains committed to global action on AMR. As international support through the Fleming Fund approaches closure, the VMD worked with Defra, DHSC (Department of Health and Social Care) and FCDO (Foreign, Commonwealth and Development Office) under the AMR NAP Global Implementation Board to prioritise future international activity supporting delivery of the 2024 UN General Assembly political declaration on AMR. A top priority the VMD has been leading on is supporting the establishment of a global Independent Panel for Evidence for Action on AMR (IPEA). The panel is taking longer than anticipated to establish; however, VMD continues to work cross-governmentally and with Quadripartite partners WHO (World Health Organisation, WOAH (World Organisation for Animal Health), FAO (Food and Agriculture Organisation), UNEP (United Nations Environment Programme) to support its development and future delivery.

**National Audit Office report and Public Accounts Committee inquiry on AMR**

The VMD also led Defra’s cross-government response to the National Audit Office report and subsequent Public Accounts Committee inquiry on AMR. Activity during the year focused on strengthening governance, improving transparency and addressing One Health surveillance gaps. Two recommendations have already been implemented, with further progress scheduled to be reported in 2026 through Treasury Minute responses.

**Residues Surveillance**

The residues surveillance programme continued to provide strong regulatory assurance. In 2025, over 28,000 samples of products of animal origin were collected and analysed for residues of veterinary medicines, prohibited substances, contaminants and pesticides. Compliance remained high, at approximately 99.6%, with all instances of non-compliance investigated and outcomes published on GOV.UK.

In addition, the VMD provided technical advice to Defra on live trade policy and undertook targeted assessments for the UK Office for Sanitary and Phytosanitary (SPS) and Trade Assurance, supporting assurance on the safety of imported products.

**AMR and Residues: Key Delivery Milestones**

| Year | Milestone |
|---|---|
| 2024 | UK AMR National Action Plan (2024–2029) published |
| 2025 | VARSS report published; equine antibiotic use data included |
| 2025 | Healthy cat and dog AMR surveillance pilot launched |
| 2025 | Public Accounts Committee report on AMR published |

## The Policy Development and Delivery Office

The Policy Development and Delivery Office had a busy and successful year, leading several high-priority policy programmes while continuing its core advisory role on the Veterinary Medicines Regulations (VMR) and related legislation.

**Northern Ireland Grace Period**
The ending of the Northern Ireland Grace Period on 31 December 2025 marked the culmination of several years of sustained policy development and engagement with stakeholders across Northern Ireland and Great Britain.

Working closely with colleagues across the organisation, the team ensured that clear guidance was published in advance of the deadline and that necessary variations to marketing authorisations were processed to support continued supply. Extensive engagement with stakeholders across medicines approval and supply chains helped ensure preparedness for the transition.

Following the end of the Grace Period, the focus shifted to monitoring medicine supply to safeguard animal health and welfare. No significant supply issues associated with the end of the Grace Period have been identified or reported.

**UK–EU Policy Developments**
Following the UK:EU Summit in May 2025, the United Kingdom and the European Union committed to a new strategic partnership, including work towards a common sanitary and phytosanitary (SPS) area. This is a key priority for Defra and the VMD. During the year, the Policy Development and Delivery Office ensured that veterinary medicines considerations were fully reflected within the wider Defra programme of work supporting delivery of this commitment.

**Legislative Review and Evidence Gathering**
In September 2025, the Office ran a call for evidence on the Medicines and Medical Devices (MMD) Act as part of the Department of Health and Social Care's statutory five-year review of the legislation. The exercise sought views across the veterinary medicines supply chain on whether the Act enables the VMD to keep the VMR up to date and fit for purpose in protecting animal health, public health and the environment. A total of 78 responses were received. The evidence gathered informed preparation of the five-year report, which was published on 11 February 2026: Medicines and Medical Devices Act 2021: 5-year report - GOV.UK.

**Key Policy Milestones 2025/26**

| Date | Milestone |
|---|---|
| May 2025 | UK–EU Summit and SPS commitment |
| September 2025 | MMD Act call for evidence launched |
| 31 December 2025 | End of Northern Ireland Grace Period |
| February 2026 | MMD Act five-year report published |

**Ongoing Policy and Advisory Role**
Alongside these major programmes, the Policy Development and Delivery Office continued to provide policy and legislative advice across the organisation, supporting

delivery, compliance and the ongoing development of the regulatory framework for veterinary medicines.

## The International Office

We utilised our scientific and technical expertise to support other international regulatory authorities' capacity strengthening efforts by 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:

**Regulatory System Strengthening**

We supported regulators in Mexico and Chile, with WOAH, to review their regulatory functions using our Self-Assessment tool, alongside publication of peer reviewed paper on its development, raising the tool's profile and supporting its proposed transition to WOAH, subject to Member State approval. We enabled regulators from Southern Africa to participate in the vetZazibona+ a joint assessment initiative focussed on VMR, including training 22 assessors from five countries, strengthening regional collaboration. We hosted regulators from Rwanda and Botswana for training on designing and implementing national pharmacovigilance systems to support medicine safety, efficacy monitoring and detection of falsified products. We delivered online training in bioequivalence, residues surveillance and pharmacovigilance to over 80 participants from 12 regulatory authorities worldwide and secured a new e-learning platform to improve future access. Our collaboration with the University of Pretoria on development of a new MSc in veterinary medicines regulatory affairs, is on schedule to launch later this year with first intake in 2027.

**Residues Surveillance strengthening**

We provided technical support to develop an FAO Asia-Pacific regional guideline on surveillance of residues in food of animal origin, expected to be published next year. We also strengthened laboratory capacity in Senegal and Zambia through targeted training on antimicrobial residue surveillance, covering screening, confirmatory methods, result interpretation and sampling practice. We supported 17 laboratories from nine countries to participate in proficiency testing schemes and led a survey of antimicrobial testing capacity across 46 laboratories in 25 countries; a summary report will be published next year.

**Tackling AMR**

We co-supervised PhD and MSc students at the University of Zambia researching drivers of antimicrobial resistance (AMR) in animal health; three student authored papers have been accepted for peer-reviewed publication, creating locally relevant evidence for action. We co-hosted a regional One Health conference in Thailand with APHA and Cefas, bringing together over 125 participants from 20 countries to address AMR, antimicrobial use and residues across terrestrial and aquatic sectors, and contributed to the FAO AMR reference centre symposium. We also delivered webinars on national antimicrobial use data collection to 52 participants from four West African countries, highlighting data-driven stewardship and practical surveillance tools.

## Business Support

During 2025/26, the Business Support Division continued to play a pivotal role in enabling the VMD to deliver its regulatory, scientific and policy objectives. Despite sustained operational pressure, increasing digitalisation demands, and evolving workforce expectations, Corporate Services maintained high-quality support across various functions. Overall performance against service objectives remained strong, with targeted improvements made in workforce strategy, financial planning, digital modernisation, and organisational resilience.

**People and Organisational Development**
We have successfully delivered the second year of the VMD Workforce Strategy, including improved recruitment cycle times and strengthened capability planning. There has also been a focus on training and development of all colleagues both specifically for role requirements and VMD wide needs, for example, Artificial Intelligence.

**Finance and Commercial**
We managed the organisation’s budget effectively in a year of inflationary pressures, ensuring continued compliance with government spending controls and keeping the executive update with clear management information. We achieved improved forecasting accuracy and delivered efficiencies and savings through enhanced supplier management.

**Digital, Data and Technology**
We have continued progress on VMD’s multi-year digital transformation roadmap, including upgrades to regulatory systems and improved cyber-security controls. We have enhanced Business Continuity by moving almost all of the onsite servers to cloud-based infrastructure, allowing more resilience and flexible access for users and maintenance. Delivered stable and resilient IT services with minimal unplanned downtime.

**Communications**
We have supported major strategic initiatives with targeted communication plans to increase visibility and understanding. Enhanced stakeholder engagement by refining external communications, especially increasing success on social media. Also, strengthened internal organisational communications through improved internal messaging and timely corporate updates.

**Governance, Risk and Assurance**
We have strengthened corporate governance through improved reporting to the Executive and the Audit & Risk Assurance Committee. We updated the corporate risk register approach to improve clarity, accountability and risk appetite integration. We completed a programme of internal assurance activities, supporting compliance with internal controls, external audit requirements and achieving ISO9001 and ISO27001 recertifications.

**Estates and Health & Safety**
We worked closely with Defra Group Property with their service provision and with a focus on facilities management, ensuring continuity of operational functions. We progressed sustainability initiatives, including reductions in energy consumption and improvements in waste management.

# Sustainability reporting

Sustainability reporting in the Annual Report and Accounts is prepared in accordance with HM Treasury's Sustainability Reporting Guidance 2025/26. Environmental performance data is drawn primarily from the Greening Government Commitments framework, which sets cross-government targets for reducing environmental impacts. The most recent published Greening Government Commitments (GGC) 2021–25 framework concluded in March 2025.

During 2025/26, HM Treasury completed a thematic review of sustainability reporting across central government, which emphasised a refocusing on a narrower, more consistent set of core environmental metrics, particularly greenhouse gas emissions and related climate risks. As a result, sustainability reporting requirements are being streamlined while revised Greening Government Commitments are developed. VMD continues to monitor performance against these targets, which remain the most recent fully published cross-government sustainability framework.

VMD's approach to sustainability is aligned with Defra's longer-term strategic direction to 2030. Forward-looking activity therefore focuses on supporting Defra Group priorities on estate decarbonisation, digital sustainability and climate resilience, recognising that delivery of many environmental impacts is managed centrally at Defra Group level.

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 include:

| Actions to reduce impact on the environment | Defra Target | VMD actual performance<br><br>2025/26 |
|---|---|---|
| Reduce overall greenhouse gas emissions | 50% overall emission reduction | 37.3% |
| Reduce direct greenhouse gas emissions from estate and operations | 15% direct emission reduction | 10.9% |
| Car fleet to be Ultra Low Emissions Vehicle (ULEV) | 25% by 31 December 2022 | 100% ULEV |
| Car and Van fleet to be fully zero emissions | 100% by 31 Dec 2027 | 0% |

| | | |
|---|---|---|
| Reduce emissions from domestic flights | At least 30% from baseline | 90% |
| Reduce overall amount of waste generated | 15% from baseline | 68% reduction |
| Reduce the amount of waste going to landfill | Less than 5% of overall waste | 0% of overall waste |
| 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. |
| Measure and report food waste | By 2022 | Managed by APHA |
| Reduce paper use | At least 50% from baseline | 95% |
| Reduce water consumption | at least 8% from baseline | Not recorded for 2025-26 due to a meter malfunction. |

## Sustainability Data

Defra's Built Environment Sustainability Team (BEST) provides us with quarterly figures on each of the following categories. The costs for our energy, water, and waste management and disposal are part of the overall Defra Corporate Recharge.

As of 31 March 2026, our staff headcount was 223 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 have reduced our overall $CO_2$ emissions by 34% to 113 tonnes compared to our baseline.

| Greenhouse gas emissions | Baseline | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|---|---|---|
| Scope 1: Direct emissions | 67.6 | 47.5 | 60.3 | 60.4 | 60.4 | 66.6 |
| Scope 2: energy indirect emissions | 95.5 | 58.8 | 55.0 | 52.1 | 48.1 | 47.5 |
| Scope 3: official business travel emissions | 8.9 | 6.7 | 6.4 | 5.9 | 5.5 | 4.9 |
| **Total emissions** | **172** | **113** | **121.7** | **118.4** | **114** | **119** |

## Travel: Flights emissions (tonnes $CO_2$)

| Flights | Baseline | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|---|---|---|
| Carbon from UK flights | 3.3 | 0.6 | 0.3 | 0.6 | 0.7 | 0.4 |
| Carbon from international flights | Not captured | Not required | 238.0 | 149.64 | 68.4 | 0.88 |

## Domestic flight emissions

| Class | 2025/26 | | 2024/25 | |
|---|---|---|---|---|
| | Number of flights | Total distance in km | Number of flights | Total distance in km |
| Economy | 4 | 4,228 | 3 | 3,116 |
| Premium economy | - | - | - | - |
| Business | - | - | - | - |
| First | - | - | - | - |

## Short haul flights

| Class | 2025/26 | | 2024/25 | |
|---|---|---|---|---|
| | Number of flights | Total distance in km | Number of flights | Total distance in km |
| Economy | 42 | 39,856 | 91 | 84,071 |
| Premium economy | - | - | - | - |
| Business | - | - | - | - |
| First | - | - | - | - |

## Long haul flights

| Class | 2025/26 | | 2024/25 | |
|---|---|---|---|---|
| | Number of flights | Total distance in km | Number of flights | Total distance in km |
| Economy | - | - | - | - |
| Premium economy | 2 | 25,600 | - | - |
| Business | 86 | 630,206 | 90 | 652,602 |
| First | - | - | | - |

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

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

Our total expenditure on business travel including flights, public transport, taxis, car hire, parking, and travel insurance for 2025/26 is £318k (2024/25: £304k).

## Waste management

| Waste (tonnes) | Baseline | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|---|---|---|
| Incinerated with energy recovery | 10.1 | 3.2 | 3.7 | 5.6 | 7.1 | 3.4 |
| Recycled or reused | - | - | - | - | | |
| Composted | - | - | - | - | | |
| Total waste recovered or reused | **10.1** | **3.2** | **3.7** | **5.6** | **7.1** | **3.4** |
| Incinerated without energy recovery | - | - | - | - | - | - |
| Landfilled | - | - | - | - | - | - |
| Total waste not recovered or reused | - | - | - | - | - | - |
| Total waste (tonnes) | **10.1** | **3.2** | **3.7** | **5.6** | **7.1** | **3.4** |
| Percentage recovered or reused | | **100%** | **100%** | **100%** | | |

We have reduced waste by 68% 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 (1000 kWh)

| Energy | Baseline | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|---|---|---|
| Electricity | 271.7 | 320.0 | 266.0 | 251.5 | 248.5 | 223.9 |
| Gas | 36.7 | 26. | 32.9 | 33.2 | 33.1 | 29.6 |

Our total expenditure on energy is £132k (2024/25: £31.1k)

## Water ($m^3$)

| Water Consumption | Baseline | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|---|---|---|
| Scope 2: Water consumption | 811 | NA | 415 | 415 | 352 | 248 |

Our water consumption could not be reported due to a meter malfunction. Our total expenditure on water is £6.5k (2024/25: £1.1k)

## Paper use (reams)

| Paper use | Baseline | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|---|---|---|
| A4 paper reams | 695 | 36 | 69 | 110 | 200 | 75 |
| Notebooks | - | 70 | 90 | 71 | 140 | 36 |

## Car / Van fleet

| Car/Van fleet | 2025/26 | | 2024/25 | |
|---|---|---|---|---|
| | Total cars | Total Vans | Total cars | Total Vans |
| Lease & Long-term hire cars/vans | 9 | - | 8 | - |
| Number of ULEVs | 9 | - | 8 | - |
| 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 Group Property 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 Campus

The Science Capability in Animal Health (SCAH) Programme now called National Biosecurity Centre is a major government initiative aimed at securing the future of the Weybridge Science Campus through a systematic redevelopment of the site. Since we are located on the Weybridge campus, any changes to security protocols will impact the VMD. However, the planned construction does 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 outturn

We successfully met our statutory obligations and corporate priorities within the budget allocated from the main estimates and fees received from the Veterinary Pharmaceutical Industry and the Residues Surveillance Programme, as set out in Schedule 7 of the GB Veterinary Medicines Regulations 2013 (as amended) and the charges for Residues Surveillance (Amendment) (England) Regulations 2024.

This year's gross expenditure is £37.4 million (2024/25: £31.3 million). The total operating expenditure is £34.2 million (2024/25: £28.7 million), funded by operating income of £20.3 million (2024/25 £19.5 million). This results in a comprehensive net expenditure of £13.9 million (2024/25: 9.1 million), funded by our delegated budget within the Main Estimate budgetary control totals and ring-fenced allocations.

We utilised £19.2 million (2024/25: £15.6 million) for activities related to policy, enforcement, AMR programmes, international capacity building, business support, IT operations, and support and maintenance. This includes £3.5 million (2024/25: £4.1 million) on professional programme and technical services for contracted out work required for digital services, £5.2 million (2024/25: £4.3 million) on purchased services for Statutory Residues Surveillance and £2.0 million (2024/25: £1.1 million) on funding R&D to facilitate our mission to protect public health, animal health, the environment and promote animal welfare. Additionally, we allocated £2.5 million (2024/25: £2.2 million) for non-cash and notional recharges.

We spent £3.2 million (2024/25: £2.3 million) on developing digital services for customers and data management. These costs are capitalised and recorded within intangible assets.

The average full-time cost equivalent of the workforce during the year is 207.6 (2024/25: 191.5), with a total cost of £15.0million (2024/25: £13.1 million). The increase in cost is mostly due to increased number of full-time equivalent staff. The Staff Report provides more details on staff costs.

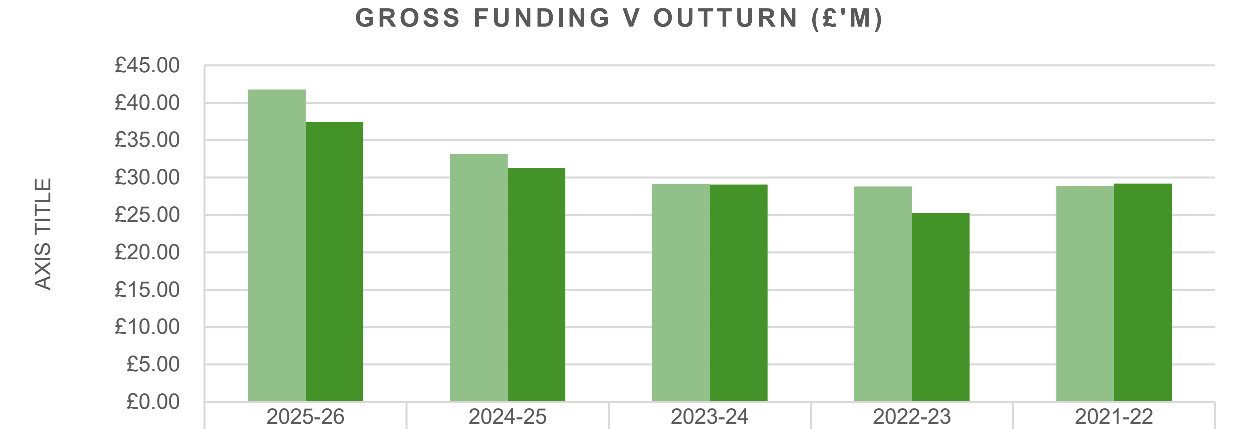
The income received from the Veterinary Pharmaceutical Industry through fees and charges increased by £0.3 million (2024/25: £4.6 million) mainly due to updates to Schedule 7 of the GB Veterinary Medicines Regulations 2013 (as amended) relating to fees and the increased number of applications received from the industry as companies seek to introduce EU labelling and legislative requirements in Northern Ireland and consequently to GB to retain common labelling across the UK. The total cost allocated to delivering our regulatory services to the Veterinary Pharmaceutical Industry is £13.0 million (2024/25: £12.8 million), while the Residues Surveillance programme cost is £5.7 million (2024/25 £4.5 million). These charges cover the costs we incur in providing the services for authorising veterinary medicines, inspecting the supply of veterinary medicines and veterinary surgeons, and analysing samples from food-producing animals.

## Financial outturn

| Outturn against DEL (£'m) | 2025-26 Funding | 2025-26 Outturn | 2024-25 Funding | 2024-25 Outturn |
|---|---|---|---|---|
| Veterinary Pharmaceutical Industry | £13.00 | £13.00 | £12.75 | £12.75 |
| Residues Surveillance programme | £5.46 | £5.46 | £4.52 | £4.52 |
| Main Estimates via Defra programme funding | £21.45 | £17.10 | £13.63 | £11.68 |
| OGD[1] Transfers | £1.02 | £1.02 | £1.43 | £1.43 |
| External - International Office | £0.46 | £0.46 | £0.55 | £0.55 |
| Other recoveries | £0.40 | £0.40 | £0.30 | £0.30 |
| **Total** | **£41.79** | **£37.44** | **£33.18** | **£31.23** |

1. OGD: Other Government Departments

## Gross funding and outturn




| | 2025-26 | 2024-25 | 2023-24 | 2022-23 | 2021-22 |
|---|---|---|---|---|---|
| Gross funding | £41.79 | £33.18 | £29.13 | £28.80 | £28.83 |
| Outturn | £37.44 | £31.23 | £29.08 | £25.27 | £29.17 |

## Financial position

Non-current assets increased by £1.7 million in the year. The movement was mainly due to addition in internally generated software £3.170 million, and yearly amortisation and depreciation charge £1.466 million. Trade and other receivables have increased by £0.35 million (2023/24: £0.4 million) mostly due to an increase in prepayments and late applications, and trade and other payables by £0.6 million (2023/24: £0.6 million) mostly due to increased accruals relating to AMR and digital service activities.

## Cash flow

Cash and cash equivalents increased to £4.3 million as of 31 March 2026 from £3.4 million on 31 March 2025, an increase of £0.9 million. Our net cash drawdown was £15.4 million (2024/25: £7.3 million). The net cash requirement under the gross control funding arrangement was £14.4 million (2024/25: £8.4 million). We follow the principles of the Better Payment Practice Code in compliance with the Public Sector Payment Policy and paid 90% (2024/25: 100%) of undisputed invoices within 5 working days. We hold one bank account with the Government Banking Service (GBS), and nothing is held outside GBS.

## 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 2026/27 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(as amended) and we continue to lead on activity across government on AMR in animal health.

The Management Board considered this at its January meeting and took the view that there is a reasonable certainty that we 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

We are committed to fostering an inclusive culture and thriving workforce where all our staff feel valued and empowered to perform at their best. This helps us maximises our ability to innovate, collaborate, and deliver excellent outcomes for taxpayers, one of the key stakeholders.

We are part of and contribute to the Defra group Equality Diversity and Inclusion (EDI) Roadmap for 2024 – 2026, which sets out how we will embed inclusion across our organisation. The roadmap supports a more consistent experience for our people and helps us realise the benefits of a diverse and high-performing workforce. Our approach is data-driven, evidence-led and delivery-focused, drawing on insight from sources such as the People Survey results and the quarterly EDI report.

The EDI Roadmap, together with the annual EDI delivery plan, focuses on four objectives:

- Attract, empower and retain diverse talent
- Invest in our people to unlock the potential of diverse teams
- Foster a respectful and inclusive culture, where everyone can thrive
- Improve our understanding of, and the way we work with the communities we serve

## Counter fraud, antibribery and anti-corruption matters

We adhere to the Defra Group policy on counter fraud, including its zero-tolerance approach to fraud, bribery and corruption, and other related illegal activity. This includes money laundering, terrorist financing and insider trading.

All staff must follow our Counter Fraud Response and Procedure Plan, which is reviewed annually by the Audit and Risk Assurance Committee. Any suspected fraud, bribery or corruption is thoroughly investigated and addressed appropriately. There were no such cases in the past year.

Everyone is responsible for reporting suspected fraud or malpractice. Staff are encouraged to raise concerns where they reasonably suspect wrongdoing. The Executive Management Board is committed to ensuring staff feel empowered, supported and protected when speaking up.

Our Fraud Risk Management Strategy aligns with the Defra Group Counter Fraud Strategy and the anti-bribery and corruption policy. These policies apply to all permanent and temporary staff and are reviewed regularly to ensure they remain relevant and clear. No instance of potential fraud, bribery or corruption was identified in 2025/26 (2024/25: Nil).

## Human rights disclosure

We have an obligation to ensure that our actions respect the human rights of our staff and of those who use our services. During 2025/26 no litigation was brought against us alleging a breach of the Human Rights Act 1998 (2024/25: Nil).

## The year ahead

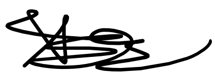
In 2026/27, the VMD will focus on sustaining and embedding improvements in regulatory delivery while responding to ongoing pressures on veterinary medicine availability, antimicrobial resistance and international regulatory alignment. Building on the improvements achieved in 2025/26, we will prioritise maintaining authorisation timeliness, supporting effective parallel GB and EU procedures, and strengthening surveillance and residues monitoring to protect animal and public health. Policy delivery will continue to support UK wide approach under the Windsor Framework, including engagement on medicine supply continuity in Northern Ireland. We will also be working with Defra on the sanitary and phytosanitary (SPS) agreement with the EU. International activity will remain an important element of our work, supporting regulatory capability, knowledge sharing and the safe use of veterinary medicines globally.

Delivery of these priorities will continue to depend on a skilled, engaged and resilient workforce. We will build on investment in learning and development, with a focus on sustaining critical regulatory, scientific and inspection capability, strengthening leadership and management capacity, and supporting staff engagement and wellbeing.

We will continue to develop the use of digital tools and data to support efficient and consistent regulatory delivery. This includes the planned expansion of productivity tools such as Microsoft Copilot to support drafting, analysis and knowledge management, alongside appropriate governance and controls. We will use data and digital capability to support better informed decision making, improve transparency and reduce administrative burden.

In response to an increasingly complex cyber threat environment, we will continue to strengthen cyber security controls and staff awareness, particularly in relation to legacy systems and sensitive data, to protect regulatory operations and organisational resilience.

Collaboration will remain central to delivery. We will continue to work closely with Defra, devolved administrations and international partners to align approaches, share intelligence and support the effective delivery of our objectives.



**Abigail Seager**
Chief Executive
25 June 2026

# 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 2024/25.

### Protecting personal data

There were no personal data-related incidents in 2025/26 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 its 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

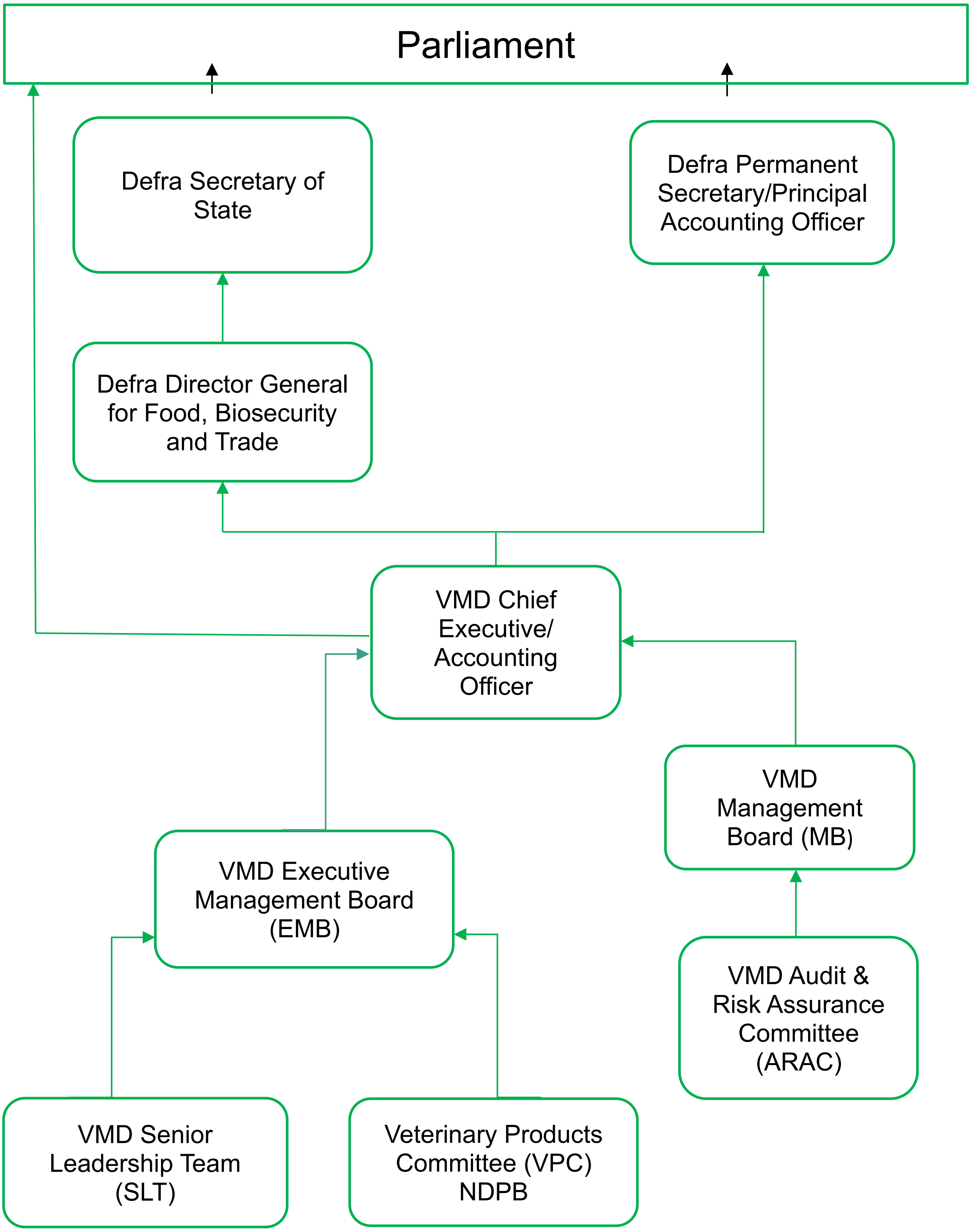
Defra's Secretary of State is responsible for the VMD and is accountable for all matters concerning it in Parliament. This function can be delegated to the Minister of State (Minister for Biosecurity, Borders and Animals).

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, Farming and Biosecurity, (DG FFB), 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 2025/26 and up to the date of signing of the accounts unless specified otherwise.

## VMD Governance Structure



## Overview of the Board

**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. Minutes of MB meetings are published on GOV.UK.

Key business at MB in 2025-26 included:

- review of VMD's long term strategy
- review of business performance and delivery against business priorities
- review of management reports on budgets and forecasts
- review of the Artificial Intelligence (AI) & IT strategy
- deep dive into hot topics that impact delivery of VMD's objectives such as issues related to Residues Surveillance, the Medicines and Medical Devices Act (MMDA), EU Reset, Regulatory affairs in Northern Ireland and the AMR action plan

**The Audit and Risk Assurance Committee (ARAC)** is a sub-committee of the MB. ARAC meets quarterly and provides advice on assurance, adequacy and effectiveness of VMD's governance and risk management arrangements. It also reviews VMD's approach to counter-fraud and whistleblowing policies 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 2025-26 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
- regular review of progress against the National Audit Office (NAO) annual audit plan and outcomes of audit work undertaken
- review of the Annual Report and Accounts for compliance with current legislation and appropriate standards
- deep dive into the risks related to Pharmaceuticals in the environment
- deep dive into the limitations on the availability of the vaccines
- updates on the management of Cyber security risks

**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 A) 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. The Head of Finance is not an EMB member but attends every meeting for emerging and critical risks.

Key business at EMB meetings in 2025-26 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 evaluated 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

**Senior Leadership Team (SLT)** is an EMB extension that includes attendance from specific functional leads across the VMD. It enables strategic discussion of our policy, operational, corporate and programme work. SLT is responsible for ensuring the effective implementation of transformational change and fostering an inclusive culture, supporting integrated and efficient working to deliver VMD business optimally. The members are the Chief Executive (Chair), Deputy CEO, Chief Operating Officer, Heads of Divisions and Offices, Chief Digital Officer, Head of IT Operations, Head of Finance, Head of RISE, Head of Regulatory Affairs, Head of Communications, Science Strategy Lead, EDI and Culture Lead. Other Officers may be invited to attend as observers or called to discuss specific agenda items.

Key business at SLT meetings in 2025-26 included:

- VMD's medium to long-term strategy
- Opportunities for income generation
- Exploration of innovative ideas
- R&D strategy
- Assessment of risk appetite and deep dive into approach to managing risk

**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 June, October and February. Minutes of meetings and further information are published on GOV.UK.

Key business at VPC meetings in 2025-26 included:

- monitoring of the veterinary pharmacovigilance activities reports

- sustainability in veterinary medicine prescription and usage
- review of Residues Surveillance
- evaluating VMD assessment reports and the two appeals against these
- review of three applications to change product distribution categories
- review of the application for an Autogenous Vaccine Authorisation (AVA)
- review the availability of veterinary vaccines.

**The overall governance framework** is enhanced through the independent challenge provided by the VPC and ongoing engagement between the CEO and the Chief Veterinary Officer. We hold external certification to ISO 9001:2015 and ISO 27001:2022, which confirm that our quality management and information security systems meet internationally recognised standards across all operational areas.

## Board membership & Attendance

| Name | Title | VMB MB Attendance Record | VMB ARAC Attendance Record |
|---|---|---|---|
| **Non-Executive Directors** | | | |
| Alison White | Chair of MB | 4/4 | 1/1 [1] |
| Laura Catterick | Chair of ARAC & Member of MB | 4/4 | 4/4 [2] |
| David Catlow | Member of ARAC & MB | 4/4 | 3/4 |
| Mike Venables | Member of ARAC | n/a | 4/4 |
| **Executive Members** | | | |
| Abigail Seager | CEO | 4/4 | 4/4 |
| Gavin Hall | Deputy CEO | 4/4 | 4/4 |
| Mike Griffiths | Chief Operating Officer | 4/4 | 4/4 |
| Muiz Agbaje[3] | Head of Finance | 1/ 2 | 2/2 |
| Nidhi Gupta[3] | Interim Head of Finance | 2/2 | 1/1 |

1 Alison White chaired the ARAC in June while the new chair settled in her role.
2 Laura Catterick joined as the Chair of ARAC in June 2025 and attended the first meeting as a member.
3. Muiz Agbaje left VMD in October 2025. Nidhi Gupta joined VMD as Head of Finance on an interim basis in January 2026.

### Executive Management Board

| Name | Role | Membership Status |
|---|---|---|
| Abigail Seager | CEO | Present |
| Gavin Hall | Deputy CEO /Director of Authorisations | Present |
| Mike Griffiths | Chief Operating Officer/ Head of Business Support A | Present |
| Natalie Shilling | Head of Business Support B | Present |
| Dr Suzanne Eckford | Head of international Office | Present |
| Lea Reynolds | Head of Policy Development and Delivery Office | Present |
| Dr Kitty Healey | Head of Surveillance Division | Present |
| Lee Grist | Head of Inspections and Enforcement Division | Present |

### Compliance with the Corporate Governance Code

HM Treasury's Corporate Governance Code (CGC) focuses 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 arrangements for an annual evaluation of the Board's effectiveness and for the evaluation results to be acted upon.

The Chair of the Management Board, who is financially qualified and an experienced ARAC Chair, temporarily covered the role of VMD ARAC Chair until the permanent chair was appointed in June 2025.

During the past year, the Management Board has worked more effectively to contribute to the development of strategy, to scrutinise performance and to take a strategic view of risks, and their associated risk appetite. It has previously been the aspiration to create appropriate governance separation between the Board and the ARAC, and much progress has been made, with the recruitment of a new ARAC Chair. In a small organisation, it is a constant focus for non-executives to strike an appropriate balance between adding value to the hard work of executives, whilst minimising the burden of governance.

The Audit and Risk Assurance Committee (ARAC) reviewed its effectiveness in March 2026, through a structured questionnaire developed by the ARAC Chair, based on the most recent available NAO and GIAA guidance. The views of the Chief Executive, members of the ARAC and members of the Management Board, and the auditors were sought as part of the review.

ARAC's 2026 effectiveness review concluded that the Committee is operating effectively and adding value through strengthened oversight of risk, audit and assurance. During the year, ARAC also undertook deep dives into risk management frameworks, cyber security, and AI, supporting improved scrutiny of key strategic risks. The review identified further opportunities to clarify ARAC's role relative to the Management Board and to continue strengthening the assurance framework and horizon scanning.

The EMB has formally assessed its compliance with the CGC and its effectiveness, as evidenced by the delivery of the 2025-26 targets and key deliverables and the results of the 2025 annual staff survey. The outcomes of the EMB are reported to staff through the weekly EMB Debrief with a follow up email to all staff and Round-up updates. 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. There is an open invitation to all staff to observe the EMB.

### Managing interests and business appointments

We follow the Defra Code of Conduct, which sets out our policy on declaring and handling outside interests, and managing conflicts of interest applicable to all staff, and applying 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. If any members declare a conflict, they will leave the meeting during the discussion of that item. During 2025/26, no MB member conflicts of interest were reported. 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 processes are 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 2025 (the survey's measure of those areas that most shape our experience at work) is 65% (64% completed October 2024). This was out of an 84% response rate. We are using the Survey results and further feedback from the Groups 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 of integrity, honesty, and professionalism, in all we do, reinforced by the Civil Service Code. 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 that conflict with the Civil Service Code. There have been no reports of whistleblowing during 2025/26 (2024/25: nil).

### Business critical models and quality assurance

There are no business models which currently fall within the definition of 'business critical models' set out by HM Treasury: if this position were 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 VMD's risk lead 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 lead. 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 high-level strategic risks four times a year. In addition, the ARAC Chair held deep dives with EMB representatives in key areas of risk management, including cyber security, one of the joint highest risks.

Significant risks that could 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 section 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:

## Key Risks

**Delivery of Regulatory and Policy Obligations**. The risk to deliver our regulatory and policy obligations was most influenced by having an inadequate number of specialist staff due to recruitment and onboarding challenges. This was compounded by the recruitment process timelines required for the VMD and uncertainty for additional resource requirements for preparation for the Sanitary and Phytosanitary (SPS) agreement with the EU. Significant effort was focused on, and priority given to, our recruitment programme and subsequent induction and training through the year. These efforts have been the main driver for reducing this risk in the last quarter.

**Failure of, or delay to the planned IT programme** remained as one of our highest scoring risks. Whilst the existing IT systems continue to operate, there is a need to modernise to ensure ongoing availability, security, as well as ability to meet user's functionality requirements. The modernisation programme is underway but faces ongoing challenges of funding and suitable skilled resource. The scale and complexity of the transformation require this long-term programme, which is being carefully governed to ensure delivery of improvements.

**Breach of physical and cyber security** also remain as one of our highest scoring risks. Private sector organisations and government departments alike face a fast-evolving threat environment, characterised by an increasing number of sophisticated cyber threat actors, significantly heightening the likelihood of attacks, targeting services and data. While physical security weaknesses may contribute to overall exposure, the primary risk remains cyber-related, including unauthorised access, data compromise, phishing and system disruption resulting from vulnerabilities in existing infrastructure or non-compliance with security standards. Such incidents could lead to significant operational disruption, data loss, and reputational damage. We seek to mitigate these threats on multiple fronts, by moving away from legacy, buildings new as secure by design, patching, monitoring, penetration testing and more. Despite the planned cyber security improvements strengthening the control environment over the medium to long term, the current risk rating remains significant at this time.

**Reputational risks** have the potential to impact the VMD in a variety of areas, with the primary risk related to compliance with the Windsor Framework in Northern Ireland impacting availability and accessibility to veterinary medicines and the preparation for the end of the grace period (December 2025). This risk was not realised, there were no significant supply issues associated with the end of the Grace Period identified or reported. Following the end of the Grace Period, the focus shifted to monitoring medicine supply to safeguard animal health and welfare.

**Vaccine availability** also continues to be a significant reputational risk. Interruptions in supply of vaccines for both companion and livestock animals pose significant challenge to disease prevention efforts and the broader strategy to reduce antimicrobial resistance (AMR). Causes are multi-factorial but include highly consolidated manufacturing chains that are vulnerable to interruption, global supply pressures and perceived poor returns on investment for manufacturers. Vets and farmers also have concerns that there is an insufficient pipeline of innovation for vaccines to fill existing and emerging therapeutic gaps. A lack of available vaccines is leading animal owners to rely more heavily on antimicrobials, directly undermining the strategic objective of shifting from treatment to prevention and weakening efforts to curb AMR. The VMD authored the Vaccine Availability Statement of Intent which sets out a strategic framework to address vaccine availability and is acting as the coordinator for development of the action plan through which the framework will be delivered and therefore will be seen as the default lead. Lack of successful delivery of the action plan, which is dependent on action by multiple stakeholders outside of the VMD's sphere of control, could impact our reputation and lead to a loss of trust from our key stakeholder groups, increased media exposure, and a greater likelihood of vets and animal keepers seeking to access unlicensed medicines.

In addition to the key risks, we managed the risks associated with meeting client and stakeholder expectations, as well as our contractual obligations. We continue to also proactively consider risks that may affect us in the longer term, including the impacts of climate change on policy and the environment or other geo-political events

## Audits

VMD is subject to a programme of external and internal audit which provides independent assurance on the effectiveness of our governance, risk management and internal control arrangements.

Following an independent Recertification audit in October 2025, our certification for ISO 9001:2015 (Quality Management) and ISO 27001:2022 were confirmed as continuing to meet these internally recognised standards.

For ISO 9001:2015 there were no major non-conformities, six minor non-conformities and 4 suggested opportunities for improvements identified.

For ISO 27001:2022, there were three minor non-conformities, and four suggested opportunities. Action plans have been agreed, and progress is monitored through the Quality Management System and reported to senior management as appropriate.

## Quality Management System

Our Quality Management System (QMS) ensures that key processes and procedures are documented, consistently applied and are subjected to ongoing review and improvement. The QMS supports effective internal control by promoting standardisation, accountability and learning across the organisation.

Assurance over the operation of the QMS is provided through a combination of internal and external sources, including trained VMD internal auditors, the Government Internal Audit Agency (GIAA), external certification bodies, and the National Audit Office (NAO). Findings from audit activity are used to identify areas for improvement, with actions tracked through established governance and management arrangements.

The QMS underpins our approach to risk management and service delivery and supports continuous improvement in the effectiveness of controls.

## 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-ups in Microsoft Azure. Each year, a test is carried out 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. To further improve our resilience, we continued our migration of on-premises servers to the Azure Cloud during the year. This work is largely complete with just one service still hosted on premises and backed up to Azure. Migration work will be completed in the next financial year, so that our on-premises servers, disaster recovery site connectivity, and hardware can all be decommissioned. Moving from on-premises servers to cloud-based platforms strengthens our business continuity by improving resilience, back up, disaster recovery, scalability and remote access while reducing dependence on single-site infrastructure and ageing hardware.

## Information management and data security

Information management and data security remain a key priority for VMD, particularly given the reliance on digital systems to deliver our regulatory functions.

During 2025/26, we continued to operate an information governance framework aligned to the UK General Data Protection Regulation, Cabinet Office Security Standards, the Government Functional Standard for Security and to our policies. VMD maintains external certification to ISO 27001:2022, which provides independent assurance that our information security management system is designed and operating effectively.

Information risk is actively managed as part of our corporate risk framework and directly supports mitigation of our highest-rated risk relating to IT resilience and cyber security. Controls include access management, data classification, secure handling procedures, incident response arrangements, and regular review of information assets.

All staff are required to complete mandatory annual training on information security and data protection, with compliance monitored centrally. This training forms part of the induction process and is refreshed annually to reflect emerging risks and updated guidance.

Accountability for the information risk sits with the Senior Information Risk Owner, supported by Information Asset Owners across the organisation. Oversight is provided through the Business Compliance Governance Group and IT Steering Group, with escalation to the Executive Management Board as required.

We are supported by Defra's Data Protection Officer and participate in the wider Defra Data Protection Network, enabling consistent application of policy, shared learning from incidents across the group, and timely updates on regulatory expectations.

During 2025/26 (2024/25: Nil), there were no data security incidents or personal data breaches that met the threshold for reporting to the Information Commissioner's Office. Incidents and near-misses are recorded, reviewed, and used to inform continuous improvement in controls and staff awareness.

### Internal audit arrangements

The GIAA has been responsible for providing VMD's internal audit service for this financial year. Internal audit work is delivered in accordance with Public Sector Internal Audit Standards and an Annual Internal Audit Plan, which is informed by VMD's corporate risk profile and approved by the Audit and Risk Assurance Committee. Management action plans are agreed for all audit recommendations, and progress against these actions is monitored and reported regularly to ARAC.

During 2025–26, internal audit reviews covered key areas of governance, risk management and internal control, focusing on those areas assessed as presenting the greatest risk to the delivery of our objectives. These were:

- Enforcement – overall rating "Moderate"
- Business non-conformity – overall rating "Limited"
- Transfer to SharePoint – overall rating "Limited"

For 2025–26, the Head of Internal Audit provided an overall opinion on key areas as "Moderate Assurance". No significant internal control weaknesses were identified during the year that would undermine confidence in the overall control environment.

With effect from 1 April 2026, internal audit function will be taken over by RSM UK following a tendering exercise and due diligence checks. During this financial year we began the transition process from GIAA to RSM UK, which included induction activities such as attending the March 2026 ARAC to ensure sufficient knowledge transfer.

# 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 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 require Civil Service appointments to be made on merit based on fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

The CEO and members of the Executive Team are permanent civil servants (During 2025/26 permanent head of finance left VMD and the post was covered by a temporary staff). 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 (including salary) and pension entitlements (audited)

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

| Officials | Salary and allowances | | Performance pay and bonuses | | Pension benefits[1] | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25[2] | 2025/26 | 2024/25 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **A Seager** Chief Executive | 110-115 | 105–110 | - | - | 43 | 66 | 155-160 | 175-180 |
| **G Hall** Director of Authorisations Group | 85-90 | 80–85 | - | 0–5 | 36 | 63 | 120-125 | 150-155 |
| **M Griffiths** Chief Operating Officer | 85-90 | 75–80 | 0-5 | 0–5 | 31 | 30 | 115-120 | 105-110 |
| **M Agbaje[3]** Head of Finance | 45-50 | 75–80 | - | 0–5 | 17 | 30 | 60-65 | 105-110 |

(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) The Head of Finance left the VMD on 10 Oct 2025. The full year equivalent for salary in 2025/26 is £85k to £90k

### Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances, and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by 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 executive management board members received any benefits-in-kind in 2025/26 (2024/25: nil)

### Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. They relate to the individual's performance in the year in which they become payable. The bonuses reported in 2025/26 relate to the performance in 2025/26, the comparative bonuses for 2024/25 relate to the performance in 2024/25.

## 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, as shown in the following table:

| | 2025/26 | | | 2024/25 | | |
|---|---|---|---|---|---|---|
| | Salary | Bonus | Total | Salary | Bonus | Total |
| Annualised band of highest paid Director remuneration £'000 | 110-115 | - | 110-115 | 105-110 | - | 105–110 |
| The % change from previous financial year in respect of the highest paid Director | 4.65% | - | 4.65% | 4.9% | - | 4.9% |
| Average employee remuneration | 54,372 | 424 | 54,796 | £57,117 | £380 | £57,497 |
| The average % change from previous financial year in respect of the employees taken as a whole | -5% | 12% | -5% | 11.3% | -76.2% | 8.7% |

Note: The high percentage change in bonus in 2024/25 was due to the pay awards and the one-off cost of living payment for £1,500 made to all employees (grade 6 and below) in 2023/24

## Pay Multiples

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 of 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:

| | 2025/26 | | | 2024/25 | | |
|---|---|---|---|---|---|---|
| As a percentile of other staff | 25th percentile | Median | 75th percentile | 25th percentile | Median | 75th percentile |
| Highest paid Director remuneration (mid-point of pay band) | | £112,500 | | | £107,500 | |
| All employees (excluding highest paid Director) Total pay and benefits | £39,014 | £48,332 | £63,964 | £35,891 | £45,070 | £61,360 |
| All employees (excluding highest paid Director) salary component only | £38,878 | £46,504 | £62,964 | £33,577 | £44,418 | £59,850 |
| Total pay ratio | 2.9 | 2.3 | 1.8 | 3.0 | 2.4 | 1.8 |

On a full-year equivalent basis, five temporary staff on a day rate received the highest remuneration during the year. The difference to the highest-paid Director ranges from £6k to £98k. We pay the base level of the staff grade for temporary staff, including agency cost and VAT (2024/25: two temporary staff member received remuneration more than the highest-paid Director).

The highest-paid Director is the CEO. The 4.65% 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 £19,800 to £211,300 (2024/25: £22,000 to £122,000).

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 2026. The average percentage change decreased by 4.7% to £54,796 (2024/25: an increase of 8.7% to £57,497) due to a decrease in reliance on temporary staff and average pay awards 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 2025/26 or 2024/25 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 (the "McCloud judgment").

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 Remedy 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.

The accrued pension benefits, Cash Equivalent Transfer Value and single total figure of remuneration reported for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme (PCSPS) for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme (PCSPS) for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Master trust. 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 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 31/3/2026 | Real increase in pension and related sum at pension age | CETV at 31/3/2026[1] | CETV at 31/3/2025[2] | Real Increase in CETV |
|---|---|---|---|---|---|
| A Seager<br>Chief Executive | 40-45 | 2.5-5 | 748 | 680 | 25 |
| M Griffiths<br>Chief Operating Officer | 25-30 | 0-2.5 | 463 | 367 | 21 |
| G Hall<br>Director of Authorisations | 55-60 plus a lump sum of 60-65 | 0-2.5 plus a lump sum of 0-2.5 | 1,263 | 1,188 | 29 |
| M Agbaje<br>Head of Finance | 15-20 | 0-2.5 | 202 | 191 | 9 |

[1]Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

[2]Opening balances for pension disclosures for some members are not consistent with the closing balances reporting in the prior period. This is due to the availability in 2025/26 of more up to date data relevant to the calculation of the prior year benefits. For M Griffiths the updated position for 2024/25 would now be £424k.

## Non-Executive Management Board members (audited)

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

| Non-executive members | Salary (as defined above) £'000 | | Benefits-in-kind to the nearest £100 | | Total £'000 | |
|---|---|---|---|---|---|---|
| | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 |
| A White | 5 -10 | 10 –15 | - | - | 5 -10 | 10 –15 |
| D Catlow | 0 - 5 | 0 - 5 | - | - | 0 - 5 | 0 – 5 |
| L Catterick | 5 -10 | - | - | - | 5 -10 | - |
| M Venables | 0 - 5 | 0 – 5 | - | - | 0 - 5 | 0 – 5 |
| P Hardwick | NA | 0 – 5 | NA | - | NA | 0 – 5 |
| T Riley | NA | 0 – 5 | NA | - | NA | 0 – 5 |

# Staff report

## Number of civil services staff (or equivalent) by band

The table below shows the number of senior civil servants (SCS) grouped by pay band.

| Pay Band | As at 31 March 2026 | As at 31 March 2025 |
|---|---|---|
| SCS 1 | 1 | 1 |
| SCS 2 | 1 | 1 |
| SCS 3 | 0 | 0 |

## Staff numbers (audited)

At 31 March 2026, we had an average full time equivalent workforce of 195.5 (2024/25: 175.4) as follows:

| Average full time equivalent | As at 31 March 2026 | As at 31 March 2025 |
|---|---|---|
| Permanent staff | 187.2 | 167.3 |
| Temporary staff | 8.3 | 8.1 |
| Total | 195.5 | 175.4 |

## Gender diversity

The average headcount on gender diversity for our permanently employed staff as of 31 March 2026 is:

| Staff | Male | Female | 2025/26 Total | Male | Female | 2024/25 Total |
|---|---|---|---|---|---|---|
| Directors on the Management Board | 1 | 1 | 2 | 1 | 1 | 2 |
| Officials on the Management Board | 1 | - | 1 | 2 | - | 2 |
| Staff in a scientific role | 48 | 76 | 124 | 8 | 30 | 38 |
| Staff in an administrative role | 25 | 50 | 75 | 59 | 85 | 144 |
| **Total staff headcount** | **75** | **127** | **202** | **70** | **116** | **186** |

## Staff recruitment

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

| Staff | Permanently employed staff | Temporary staff | 2025/26 Total | 2024/25 Total |
|---|---|---|---|---|
| Scientific | 69.2 | 2.0 | 71.2 | 36.3 |
| Administrative | 124.0 | 12.4 | 136.4 | 155.2 |
| **Total staff** | **193.2** | **14.4** | **207.6** | **191.5** |

## 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 is 6.2% (2024/25: 10.2%).

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 corporate priorities 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 2025/26 (2024/25: 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 2025/26 (2024/25: nil).
For all staff, there were no compulsory exits in 2025/26 (2024/25: nil).

## Staff costs (audited) in £'000

| Staff costs consist of the following: | Permanently employed staff | Temporary staff | 2025/26 Total | 2024/25 Total |
|---|---|---|---|---|
| Wages and salaries | 9,760 | 1,120 | 10,880 | 9,623 |
| Social security costs | 1,366 | - | 1,366 | 995 |
| Other pension costs | 2,759 | 0 | 2,759 | 2,440 |
| Gross total staff costs | **13,885** | **1,120** | **15,005** | **13,058** |
| Less amounts charged to capital projects | - | - | - | - |
| Sub-total as reported in the Statement of Comprehensive Net expenditure | **13,885** | **1,120** | **15,005** | **13,058** |
| Less recoveries in respect of outward secondments | (203) | - | (203) | (196) |
| **Net total staff costs** | **13,682** | **1,120** | **14,802** | **12,862** |

## Pensions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as "Alpha" – are unfunded multi-employer defined benefit schemes but VMD is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2020. The valuation report is published on Civil Service Pension Scheme. One of the changes resulting from the 2020 valuation report is the agreement that the previous salary-based structure is no longer appropriate. A flat rate employer contribution 28.97% came into force from 1 April 2024. Further details are available in the Cabinet Office's Civil Superannuation Annual Report and Accounts here: Civil Service Pensions Scheme website.

For 2025-26, employers' contributions of £2,741,977 were payable to the CSOPS (2024/25: £2,406,756) at 28.97% (2024/25: 28.97%) of pensionable earnings. 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 2025/26 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £16,022 (2024/25: £18,908) were paid to one or more of the panels of three appointed stakeholder pension providers.

Employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £543 (2024/25: £638), 0.5% of pensionable pay, were payable to the CSOPS 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 £1,456 (2024/25: £1,280). 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 1048 (2024/25: 391). The average working days lost per employee during the year was 5.4 (2024/25: 2.2).

### 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 2026.

| Number of existing engagements as of 31 March 2026 | 35 |
|---|---|
| **Of which:** | |
| Number that has existed for less than one year at time of reporting | 23 |
| 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 | 2 |
| Number that has existed for between three and four years at time of reporting | 3 |
| Number that has existed for four or more years at time of reporting | 4 |

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 April 2025 to 31 March 2026 | 38 |
|---|---|
| **Of which:** | |
| Number not subject to off-payroll legislation | 38 |
| 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 | 0 |

| Number of engagements reassessed for compliance or assurance purposes during the year | |
|---|---|
| **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 2025 and 31 March 2026.

| | |
|---|---|
| Number of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility | **1**[1] |
| Total number of individuals on-payroll and off-payroll that have been deemed “board members, and/or senior officials with significant financial responsibility” | **8**<br>NEDs 4<br>Executive Board members 4 |
| 1 One Management Board member with significant financial responsibility was engaged off-payroll during the year in exceptional circumstances following the departure of the substantive post-holder. The arrangement provided short-term continuity of critical financial leadership for a six-month period, pending the commencement of a permanently appointed post-holder in the following financial year. | |

## 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.

## Consultancy and temporary staff expenditure

| £’000 | 2025/26 | 2024/25 |
|---|---|---|
| Consultancy expenditure | 3,498 | 4,103 |
| Temporary staff expenditure | 1,120 | 932 |
| **Total** | **4,618** | **5,035** |

Consultants are engaged for specific programme work, 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

## Regularity of expenditure (audited)

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

## Fees and charges (audited)

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. The current fees and charges are not fully reflective of increased operational costs, which has limited our ability to achieve full cost recovery. These fees are currently under review and may result in an update to the fees in the VMR.

| 2025/26 | Income £'000 | Cost £'000 | Net Income £'000 | Cost Recovery[1] % |
|---|---|---|---|---|
| Veterinary pharmaceutical industry | 12,997 | 13,009 | (12) | 100 |
| Residues Surveillance | 5,455 | 5,643 | (188) | 97 |
| Total | **18,452** | **18,652** | **(200)** | **99** |

| 2024/25 | Income £'000 | Cost £'000 | Net Income £'000 | Cost Recovery % |
|---|---|---|---|---|
| Veterinary pharmaceutical industry | 12,746 | 12,849 | (103) | 99 |
| Residues Surveillance | 4,524 | 4,741 | (217) | 95 |
| Total | **17,270** | **17,590** | **(320)** | **98** |

[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 (audited)

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 severance payments that exceed £300,000 in total or individually as of 31 March 2026 (31 March 2025: nil).

## Contingent liabilities (audited)

We do not have any contingent liability to report as of 31 March 2026 (2024/25: 1) 2024/25 liability related to a claim from a former employee. This liability was settled during 2025-26.

## Remote contingent liabilities (audited)

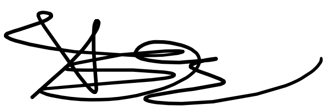
In addition to contingent liabilities reported within the meaning of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, VMD discloses, for parliamentary reporting and accountability purposes, liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. As of 31 March 2026, there are nil to report (31 March 2025: 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 HR, Property, Security and Internal Audit services from the Core department. As part of the services delivery model, the Core department and its Heads of Profession conduct regular benchmarking and assessments against cross government standards. These are used to determine future development areas and investment bids and requirements. An assessment has shown that the rating for the HR Functional Standard was "Developing". The Property and Security Functional Standards were assessed as "Good". The Internal Audit Functional Standard's Continuous Improvement Assessment Framework (CIAF) was withdrawn in February 2026, thus no "Developing", "Good", "Better", or "Best" rating can be reported. To comply with Global Internal Audit Standards (GIAS), an External Quality Assessment (EQA) was conducted, and, as a result, a Quality Assurance and Improvement Plan (QAIP) is being developed which will address a small number of standards where action has been recommended, alongside suggestions to help the Agency develop further.

Where services are not received from Defra, the Heads of Function within VMD carried out a self-assessment to review compliance. The result shows that most of the functional standards were fully compliant, or partially compliant. They have been rated in the "Good" rating category. We continue to address partially compliant standards by focusing on the mandatory elements that will lead to full compliance.



**Abigail Seager**
Chief Executive
25 June 2026

# 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 2026 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 2026;
- 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 2026 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 (2024)*. 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 2024*. 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 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 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 will not continue to be provided in the future.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the Veterinary Medicines Directorate's accounting policies and key performance indicators;
- inquired of management, the Veterinary Medicines Directorate's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Veterinary Medicines Directorate's policies and procedures on:

  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Veterinary Medicines Directorate's controls relating to the Veterinary Medicines Directorate's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;

- inquired of management, the 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 Government Resources and Accounts Act 2000, Managing Public Money, The Veterinary Medicines Regulations, the charges for Residues Surveillance Regulations, Supply and Appropriation (Main Estimates) Act 2025, employment law, pensions legislation 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 & Risk Assurance 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

**Gareth Davies** **Date 29 June 2026**

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

# Financial Statements

## Statement of Comprehensive Net Expenditure

for the year ended 31 March 2026

| Comprehensive Net Expenditure £'000 | Note | 2025/26 | 2024/25 |
|---|---|---|---|
| Revenue from contracts with customers | 2 | 18,916 | 17,796 |
| Other operating income | 2 | 1,418 | 1,753 |
| Total Operating Income | | 20,334 | 19,549 |
| Staff costs | 3 | (15,005) | (13,058) |
| Purchase of services | 4 | (10,382) | (7,814) |
| Non-cash costs | 4 | (2,472) | (2,192) |
| Other operating expenditure | 4 | (6,345) | (5,598) |
| Total Operating Expenditure | | (34,204) | (28,662) |
| **Net Operating expenditure** | | **(13,870)** | **(9,113)** |
| **Other Comprehensive Expenditure** | | | |
| **Items that will not be reclassified to net operating costs:**<br>Net gain/(loss) on revaluation of property, plant and equipment | | 171 | 205 |
| **Comprehensive Net Expenditure for the year ending 31 March** | | **(13,699)** | **(8,908)** |

All income and expenditure are derived from continuing operations.

The notes on pages 70-87 form part of these accounts.

# Statement of Financial Position

as at 31 March 2026

| Financial Position £'000 | Note | 2025/26 | 2024/25 |
|---|---|---|---|
| Non-Current Assets | | | |
| Property, plant and equipment | 5 | 6,956 | 7,305 |
| Intangible assets | 6 | 9,736 | 7,682 |
| Right of Use (ROU) assets | 5 | 182 | 148 |
| **Total Non-Current Assets** | | **16,874** | **15,135** |
| Current Assets | | | |
| Trade and other receivables, contract assets | 7 | 4,130 | 3,779 |
| Cash and cash equivalents | 8 | 4,315 | 3,359 |
| **Total Current Assets** | | **8,445** | **7,138** |
| **Total Assets** | | **25,319** | **22,273** |
| Current Liabilities | | | |
| Trade and other payables, contract liabilities | 9 | (6,415) | (5,809) |
| **Total Current Liabilities** | | **(6,415)** | **(5,809)** |
| **Net Assets** (Total Assets less Total Current Liability) | | **18,904** | **16,464** |
| | | | |
| Non-Current Liabilities | 9 | (172) | (155) |
| **Total Assets less Total Liabilities** | | **18,732** | **16,309** |
| | | | |
| Taxpayers' Equity and Other Reserves | | | |
| General fund | | 10,420 | 8,168 |
| Revaluation reserve | | 8,312 | 8,141 |
| **Total Equity** | | **18,732** | **16,309** |

The notes on pages 70-87 form part of these accounts.

**Abigail Seager**
Chief Executive and VMD Accounting Officer
25 June 2026

# Statement of Cash Flows

for the year ended 31 March 2026

| Cash Flows £'000 | Note | 2025/26 | 2024/25 |
|---|---|---|---|
| Cash flows from Operating Activities | | | |
| Net Operating Expenditure | | (13,870) | (9,113) |
| Adjustments for non-cash transactions arising in the year | 4 | 2,472 | 2,192 |
| (Increase) / Decrease in trade and other receivables | 7 | (351) | (891) |
| Increase / (Decrease) in trade and other payables | 9 | 623 | 1,843 |
| Right-of-Use assets | 5 | (80) | (154) |
| Movement in trade payables relating to items not passing through the Statement of Comprehensive Net Expenditure | 9 | 38 | (369) |
| **Net Cash Outflow from Operating Activities** | | **(11,168)** | **(6,492)** |
| Cash flows from Investing Activities | | | |
| Purchase of property, plant and equipment | 5 | (61) | - |
| Purchase of intangible assets | 6 | (3,208) | (1,929) |
| **Net Cash Outflow from Investing Activities** | | **(3,269)** | **(1,929)** |
| Cash Flows from Financing Activities | | | |
| Supply current year | | 15,400 | 7,335 |
| Payment of Lease liabilities | | (7) | - |
| **Net Financing** | | **15,393** | **7,335** |
| **Net (Decrease) / Increase in cash and cash equivalents** | | **956** | **(1,086)** |
| | | | |
| **Cash at the beginning of the year** | 8 | **3,359** | **4,445** |
| **Cash at the end of the year** | 8 | **4,315** | **3,359** |

The notes on pages 70-87 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2026

| Changes in Taxpayers' Equity £'000 | Note | General Fund | Revaluation Reserve | Total Reserves |
|---|---|---|---|---|
| **Balance as at 1 April 2024** | | **8,863** | **7,936** | **16,799** |
| **Changes in Taxpayers' Equity for 2024/25** | | | | |
| Net Parliamentary Funding | | 7,335 | - | 7,335 |
| Comprehensive net expenditure for the year | | (9,113) | - | (9,113) |
| Lease liability adjustment | | | | |
| Other General Fund Movements – Transfer of Assets | | 420 | - | 420 |
| **Non-Cash Adjustments:** | | | | |
| Defra Corporate Recharges | 4 | 578 | - | 578 |
| Defra Investigation Services | 4 | | | |
| Auditors' Remuneration | 4 | 85 | - | 85 |
| **Movements in Reserves:** | | | | |
| Net Gain on Revaluation of property, plant and equipment | 5 | - | 205 | 205 |
| Total Recognised income/(expense) for 2024/25 | | (695) | 205 | (490) |
| **Balance as at 31 March 2025** | | **8,168** | **8,141** | **16,309** |

| | | | | |
|---|---|---|---|---|
| **Balance as at 1 April 2025** | | **8,168** | **8,141** | **16,309** |
| **Changes in Taxpayers' Equity for 2025/26** | | | | |
| Net Parliamentary Funding | | 15,400 | - | 15,400 |
| Comprehensive net expenditure for the year | | (13,870) | - | (13,870) |
| General fund movement - Transfer of Asset | | - | - | - |
| **Non-Cash Adjustments** | | | | |
| Defra corporate recharges | 4 | 612 | - | 612 |
| Auditors' remuneration | 4 | 110 | - | 110 |
| **Movements in Reserves:** | | | | |
| Net Gain on Revaluation of property, plant and equipment | 5 | - | 171 | 171 |
| Total recognised income/(expense) for 2025/26 | | 2,252 | 171 | 2,423 |
| **Balance as at 31 March 2026** | | **10,420** | **8,312** | **18,732** |

The notes on pages 70-87 form part of these accounts.

# Notes to the accounts

## 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2025/26 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 and intangible assets. 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 2025/26 FReM issued by HM Treasury on the IAS 1 interpretation of going concern for the public sector sponsored entities. The Management Board has considered the financial position as of 31 March 2026, the business activity forecast for the 2026/27 period and beyond, the reliance on funding from the Department for Environment Food & Rural Affairs (Defra) and the continuation of our regulatory services. It is content that VMD’s services will continue to be provided. The VMD is an Executive Agency of Defra, and the Department has agreed the 2026/27 budget. The going concern disclosures on page 29 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 preparing the financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenditures. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events. In the process of applying the accounting policies, we made the following judgements, which effect the amounts recognised in the financial statements:

**Contract liabilities:** We are responsible for managing the progress and income earned from scientific assessments. Individual assessments may span more than one financial year. 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:** When a performance obligation is satisfied with IFRS 15, we recognise 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 exercises judgement in determining whether expenditure meets the recognition criteria for intangible assets under IAS 38, including assessments of technical feasibility, intention to complete, and the likelihood of generating future economic benefits or service potential. Judgement is also applied in determining the appropriate useful economic lives of assets.

At 31 March 2026, management has assessed that useful economic lives remain appropriate, with no changes required from the established policy baseline following consideration of relevant factors, including potential impacts arising from policy developments such as the EU Exit reset. Internally developed assets under construction continue to be assessed against IAS 38 criteria and are considered to remain on track to deliver future service potential; accordingly, no transfers to assets in use were recognised in the year.

**Land and Buildings:** The valuation of land and buildings at the Weybridge Estate involves judgement in determining that the assets continue to be classified as specialised buildings and valued on a Depreciated Replacement Cost basis in accordance with RICS guidance, reflecting the absence of an active market.

In 2025–26, the valuation has been rolled forward from the 31 March 2025 professional valuation using an appropriate index; management judgement was applied in selecting a suitable annual index rate of 2.8% for building elements, having considered available indices and their relevance to the asset base. In addition, management has assessed that the underlying assumptions supporting the March 2025 valuation remain appropriate, with no material changes identified, except in relation to the engineering element of the buildings, which is no longer assessed as being in a new or as-built condition. As a result, this component has not been uplifted by index and is held at depreciated historical cost at the reporting date. Overall, the impact of estimation uncertainty arising from these judgements is not considered material to the financial statements.

**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, in accordance with FReM requirements. These valuations are undertaken by qualified independent valuers (appointed by Defra) in line with the Royal Institution of Chartered Surveyors (RICS) Red Book. The VMD's building is classified as a specialised operational asset and is valued on a Depreciated Replacement Cost

(DRC) basis. DRC is defined as the current cost of replacing an asset with its modern equivalent, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

In accordance with FReM 10.1.2a, the VMD adopts a quinquennial valuation approach supplemented by annual indexation. Between full professional valuations, carrying values are updated using appropriate indices to reflect movements in construction and asset values, ensuring that assets are not materially misstated at the reporting date.

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 purchased software licences and internally developed software, including assets under construction.

Software licences are capitalised at purchase cost where expenditure exceeds the capitalisation threshold. Where a reliable fair value cannot be determined, such assets are carried at depreciated historical cost. Internally developed software includes directly attributable costs, including internal staff costs where these meet the recognition criteria set out in IAS 38. The VMD does not hold any intangible assets with an indefinite useful life. The general capitalisation threshold is £10,000.

Expenditure on intangible assets under construction is capitalised where it meets IAS 38 recognition criteria. These assets are carried at cost and are not amortised until they are available for use, at which point they are transferred to completed intangible assets.

### Depreciation and Amortisation

Depreciation and amortisation are provided at rates estimated to write-off the valuation of property, plant and equipment, software development 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. As part of our annual review, we review the estimated useful lives of our asset categories. Assets are depreciated over the following timescales:

| Category | Useful Economic Life (UEL) |
|---|---|
| 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 & Licences[2] | 0 -15 years |

[1]The residual life of our building is 31 years as of 31 March 2026
[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 annually.

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.

### 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 a series of substantially the same good or service). Note 2 details our main performance obligations, how and when they are satisfied, and the determination of transaction prices.

### 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 Annual report and 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 and corporate shared 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.

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 Accounting Standards Not Yet Effective

### 1.17.1 IFRS18 Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 Presentation and Disclosure in Financial Statements and is effective for reporting periods beginning on or after 1 January 2027 in the private sector. The impact of IFRS 18 on the public sector is still being assessed, and a decision has not yet been taken on an implementation date.

### 1.17.2 IFRS19 Subsidiaries without public accountability: disclosures

IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 19 on the public sector is still being assessed and a decision has not yet been taken on an implementation date. VMD does not have any subsidiaries hence it will not be impacted by IFRS19.

## 1.18 Changes to Accounting Policy

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.

IFRS17 Insurance Contracts is effective for the public sector from 1 April 2025. The standard replaces IFRS4 and introduces a new model for the recognition and measurement of insurance contracts. While IFRS 4 was not applicable within VMD, our assessment of IFRS 17 indicates it is not expected to have a material impact on the VMD’s financial statements, as we do not have (or plan to enter into) any insurance contracts in the foreseeable future. However, we will continue assessing the potential impact of IFRS 17 on existing contracts or components that may give rise to insurance contracts.

The FReM has been amended for 2025-26 to withdraw the revaluation model for intangible assets under IAS38. VMD’s Intangible assets are held at historic cost less amortisation and impairment therefore, we do not anticipate any change to its valuation.

The amendment related to revaluation of an entire class of assets (IAS 16 Property, Plant and Equipment) as approved by the Financial Reporting Advisory Board (FRAB) becomes effective from 1 April 2025. These updates clarify how public bodies classify and value assets held for operational use rather than a change in accounting policy.

## 2. Operating income

| Revenue from Contracts with Customers | 2025/26 £'000 | 2024/25 £'000 |
|---|---|---|
| Authorisations | 7,575 | 6,891 |
| Graded Annual and Fixed Fees | 4,360 | 4,832 |
| Inspections | 1,062 | 1,023 |
| Residues Surveillance | 5,455 | 4,524 |
| International | 464 | 526 |
| OGD: Devolved Administrations (1) | 95 | 119 |
| OGD: National Bio surveillance Network Programme (1) | - | 640 |
| OGD: AMR Reference Centre (1) | 922 | 673 |
| Recoveries in respect of outward secondments | 203 | 196 |
| Other recovery of costs (2) | 198 | 125 |
| **Total Operating Income** | **20,334** | **19,549** |

[1]These are made up of Other Government Department (OGD) contributions from the devolved administrations for the delivery of AMR Surveillance work in Wales and Scotland and income from the Fleming Fund to support the development of the AMR reference centre. National Bio surveillance Network programme has nil income in 2025/26.
[2]Other recovery of costs relates to income for Synergy project, 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 and 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 represents the amount of revenue recognised as those performance obligations are satisfied.

### Contract Balances

| Balance £'000 | 2025/26 | 2024/25 |
|---|---|---|
| Contract Asset | 1,242 | 1,428 |
| Contract Liabilities | 956 | 1,053 |

### 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 | 2026/27 | 2027/28 | Total | 2024/25 |
|---|---|---|---|---|
| Authorisations | 505 | 41 | 546 | 635 |
| Inspections | 90 | - | 90 | 91 |
| International Office | 320 | - | 320 | 286 |
| AMR Reference Centre | 0 | - | 0 | 41 |
| **Total** | **915** | **41** | **956** | **1,053** |

As at 31 March 2026, the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied (or partially unsatisfied) is £0.956 million (31 March 2025: £1.053 million) as shown in Note 9. VMD will recognise this revenue as contracts are progressed to completion, which is expected to occur over the next 12 months.

## Contract assets

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

| Business Area £'000 | 2025/26 | 2024/25 |
|---|---|---|
| Residues surveillance | 1,092 | 969 |
| Authorisations | 0 | 338 |
| Inspections | 39 | 36 |
| International Office | 111 | 85 |
| **Total** | **1,242** | **1,428** |

The contract asset £1.242 million (31 March 2025: £1.428 million) represents the amount of consideration recognised as of 31 March 2026 when a performance obligation is satisfied. However, the payment is still conditional on future performance (as shown in Note 7).

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.<br>A contractual obligation is completed when the applicant has responded to request for further data, or the assessment has concluded and the application has moved into sign-off or referred to the VPC. | An invoice is issued on validation of an application. For each application, income is earned based on the progress of the assessment in line with reduction of fees in Schedule 7 Para 62.<br>10% is recognised on validation<br>50% recognised at initial assessment<br>75% recognised at partial assessment<br>100% recognised at sign-off | 7,575 |
| 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 | 4,360 |
| 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 | 858 |
| Inspections annual fees | Licencing and maintenance of the register of manufacturers, wholesaler dealers, retailers of veterinary medicines and feed businesses | Income recognised over a year. Accrued for any non-invoiced element or deferred proportionate to the number of months before the next renewal date | 204 |

| | | | |
|---|---|---|---|
| Residues Surveillance fees | Provision of the Statutory Residues Surveillance Programme | Invoice is earned based on throughput and the Residues Surveillance charges, ensuring cost recovery for the programme in the financial year. Invoiced quarterly or bi-annually or accrued for any non-invoiced elements | 5,455 |
| 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 | 464 |

## 3. Staff costs

| | Permanently employed staff £'000 | Temporary staff £'000 | 2025/26 Total £'000 | 2024/25 Total £'000 |
|---|---|---|---|---|
| Wages and salaries | 9,760 | 1,120 | 10,880 | 9,623 |
| Social security costs | 1,366 | - | 1,366 | 995 |
| Other pension costs | 2,759 | - | 2,759 | 2,440 |
| **Gross Total Staff costs** | **13,885** | **1,120** | **15,005** | **13,058** |
| Less amounts charged to capital projects | - | - | - | - |
| **Sub-total as reported in the Statement of Comprehensive Net Expenditure** | **13,885** | **1,120** | **15,005** | **13,058** |
| Less recoveries in respect of outward secondments | (203) | - | (203) | (196) |
| | **13,682** | **1,120** | **14,802** | **12,862** |

The permanently employed staff costs include an accrual for untaken annual leave of £320k (2024/25: £321k). The Remuneration Report provides more information on staff costs.

## 4. Other non-staff operating expenditure

| | Note | 2025/26 £'000 | 2024/25 £'000 |
|---|---|---|---|
| **Purchase of services** | | | |
| Statutory Residues Surveillance | | 5,183 | 4,332 |
| Research and Development Programme | | 2,037 | 1,119 |
| Antimicrobial Resistance Programme and Surveillance | | 972 | 918 |
| Antimicrobial Resistance Reference Centre | | 2,174 | 1,421 |
| Other direct sub-contracted services | | 16 | 24 |
| **Sub-total purchase of services** | | **10,382** | **7,814** |
| | | | |
| **Non-cash items** | | | |
| Depreciation of property, plant and equipment | 5 | 580 | 536 |
| Amortisation of intangible assets | 6 | 840 | 840 |

| | | | |
|---|---|---|---|
| Impairment of intangible assets | 6 | - | - |
| Depreciation of Right-of-Use assets | 5 | 46 | 6 |
| Accretion of interest | 11 | 6 | 1 |
| Software as a Service[2] | 6 | 277 | 146 |
| Losses on disposal of non-current assets | 6 | 1 | - |
| | | | |
| **Defra service recharges:** | | | |
| Estates maintenance | | 361 | 374 |
| Human resources & shared services | | 163 | 159 |
| Defra Investigation Services | | - | - |
| Legal services | | 88 | 45 |
| Auditors' remuneration | | 110 | 85 |
| **Sub-total non-cash items** | | **2,472** | **2,192** |
| | | | |
| **Other operational expenditure** | | | |
| Professional programme and technical services | | 3,498 | 4,103 |
| IT systems maintenance | | 1,688 | 1,028 |
| Travel and subsistence | | 341 | 223 |
| Training | | 130 | 123 |
| Staff related costs | | 135 | 114 |
| Communications | | 82 | 80 |
| Office related goods and services | | 264 | 116 |
| Operating leases | | 17 | 25 |
| Internal Audit | | 86 | 65 |
| Stationery and publications | | 30 | 28 |
| Independent expert committees | | 28 | 19 |
| Customer relations and publicity | | 7 | 8 |
| Movement on expected credit loss | | 7 | 9 |
| IR35[1] – Contractor Tax and NI | | | (373) |
| Defra Investigation Services | | | 7 |
| Other costs | | 32 | 23 |
| **Sub-total other operating expenditure** | | **6,345** | **5,598** |
| | | | |
| **Total non-staff operating expenditure** | | **19,199** | **15,604** |

[1]The credit in 2024-25 related to the refund received from HMRC for Off-Payroll Working rules to offset the taxes paid in 2022/23 financial year.

[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 | Building £'000 | Plant and Equipment £'000 | Information Technology £'000 | Furniture & Fittings £'000 | ROU Motor Vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation:** | | | | | | | |
| At 1 April 2025 | 352 | 6,525 | 124 | 503 | 482 | 175 | 8,161 |
| Additions | - | - | - | - | 61 | 80 | 141 |
| Transfers | - | - | - | - | - | - | - |
| Disposals | - | - | - | (2) | - | - | (2) |
| Revaluation | (38) | (343) | - | - | - | - | (381) |
| At 31 March 2026 | 314 | 6,182 | 124 | 501 | 543 | 255 | 7,919 |
| **Depreciation:** | | | | | | | |
| At 1 April 2025 | - | 2 | (2) | (413) | (268) | (27) | (708) |
| Charged in year | - | (552) | (5) | (13) | (10) | (46) | (626) |
| Disposals | - | - | - | 1 | - | - | 1 |
| Revaluation | - | 552 | - | - | - | - | 552 |
| At 31 March 2026 | - | 2 | (7) | (425) | (278) | (73) | (781) |
| **Carrying Value** | | | | | | | |
| **At 31 March 2026** | **314** | **6,184** | **117** | **76** | **265** | **182** | **7,138** |
| **Cost or Valuation:** | | | | | | | |
| At 1 April 2024 | 352 | 6,549 | - | 564 | 468 | 21 | 7,954 |
| Additions | - | - | - | - | - | 154 | 154 |
| Transfers | - | 296 | 124 | - | - | - | 420 |
| Disposals | - | (2) | - | (63) | (7) | - | (72) |
| Revaluation | - | (318) | - | 2 | 21 | - | (295) |
| At 31 March 2025 | 352 | 6,525 | 124 | 503 | 482 | 175 | 8,161 |
| **Depreciation:** | | | | | | | |
| At 1 April 2024 | - | - | - | (467) | (250) | (21) | (738) |
| Charged in year | - | (516) | (2) | (8) | (10) | (6) | (542) |
| Disposals | - | 2 | - | 63 | 7 | - | 72 |
| Revaluation | - | 516 | - | (1) | (15) | - | 500 |
| At 31 March 2025 | - | 2 | (2) | (413) | (268) | (27) | (708) |
| **Carrying Value** | | | | | | | |
| **At 31 March 2025** | **352** | **6,527** | **122** | **90** | **214** | **148** | **7,453** |
| | | | | | | | |
| At 31 March 2024 | 352 | 6,549 | - | 97 | 218 | - | 7,216 |

Land and buildings are subject to professional valuation at no more than five yearly intervals. These valuations are conducted by qualified independent valuers, in accordance with the guidance issued by the RICS. The land and building was valued at £6.879 million as of 31 March 2025 as noted in above table.

In 2025-26 carrying value will be maintained in accordance with the FReM valuation framework, with indexation applied as appropriate to ensure values remain materially up to date between full professional valuations.

Land is valued based on the Existing Use Value (EUV) for non-specialised operational assets. Management considered various indices provided by Defra group and decided to apply the Savills Brownfield Land Index as a robust, proportionate and appropriate basis for updating the land valuation. In 2025-26 land values experienced an annual charge of approximately -10.8%, which resulted in a carrying value of £314k for VMD land as at 31 March 2026.

The base valuation reflects Depreciated Replacement Cost (DRC) for buildings, representing the cost of replacing the asset with a modern equivalent asset, adjusted for depreciation to reflect the remaining economic life. For 2025-26, indexation was applied using the RICS Build Cost Information Service (BCIS) Tender Price Index in accordance with the Defra acceptable indices. An indexation factor of 2.8% was applied to the structural and external works components of the building valuation, reflecting movements in construction costs for those elements. The carrying value of VMD building is £6.184 million as at 31 March 2026.

The right-of-use asset is nine motor vehicles leased for four years. Of which six started in 2024-25 and three new lease cars were added in 2025-26. The present value is £234k. As of 31 March 2026, the net book value is £182k (31 March 2025: £148k).

## 6. Intangible assets

| | Internally Generated Software £'000 | IGS - Assets Under Construction £'000 | IT Software & licences £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost or valuation:** | | | | |
| At 1 April 2025 | 8,153 | 2,956 | 96 | 11,205 |
| Additions | 990 | 2,180 | - | 3,170 |
| Derecognition | (1,970) | - | - | (1,970) |
| Disposals | - | - | - | - |
| At 31 March 2026 | 7,173 | 5,136 | 96 | 12,405 |
| **Amortisation:** | | | | |
| At 1 April 2025 | (3,428) | - | (95) | (3,523) |
| Derecognition | 1,694 | - | - | 1,694 |
| Charged in year | (840) | - | - | (840) |
| Disposals | - | - | - | - |

| | | | | |
|---|---|---|---|---|
| At 31 March 2026 | (2,574) | - | (95) | (2,669) |
| **Carrying Value** | | | | |
| **At 31 March 2026** | **4,599** | **5,136** | **1** | **9,736** |
| **Cost or valuation:** | | | | |
| At 1 April 2024 | 8,153 | 658 | 602 | 9,413 |
| Additions | - | 2,298 | - | 2,298 |
| Derecognition | - | - | (309) | (309) |
| Disposals | - | - | (197) | (197) |
| At 31 March 2025 | 8,153 | 2,956 | 96 | 11,205 |
| **Amortisation:** | | | | |
| At 1 April 2024 | (2,588) | - | (454) | (3,042) |
| Derecognition | - | - | 162 | 162 |
| Charged in year | (840) | - | - | (840) |
| Disposals | - | - | 197 | 197 |
| At 31 March 2025 | (3,428) | - | (95) | (3,523) |
| **Carrying Value** | | | | |
| **At 31 March 2025** | **4,725** | **2,956** | **1** | **7,682** |
| | | | | |
| At 31 March 2024 | 5,565 | 658 | 148 | 6,371 |

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 Licensing £1.579 million (addition of £0.990m in 2025/26); Registration and Login £0.288 million; Service Hub £0.307 million; Secure Messaging £0.185 million; and Special Imports System £2.240 million. The remaining amortisation period for all these assets are 4.5 years except for the Special Imports system.

The Special Imports System was introduced in January 2024. It allows veterinary surgeons to apply for the import of veterinary medicines into the UK when the product is available on the UK market. The remaining amortisation period is 7.8 years.

For intangible assets under construction, in the year, we added £2.18 million to the Special Imports System (SIS) Navigator Build Phase 2 (2024/25: £2.298 million). The SIS Navigator Build phase 2 will continue implementing the replacement for the legacy Imports service, with continued delivery of functionality and quality assurance activities such as user and performance testing. We expect that these assets will be put into use in 2026/27.

For intangibles in use, in the year, we added £0.99 million (2024/2025: nil) to the VMD Licensing. This has delivered significant quality of service enhancements following consultation with industry.

During the year, Adverse event reporting systems were fully amortised, and Cloud Infrastructure was assessed to be Software as a Service rather than a VMD owned software. An adjustment of £277k (2024/25 £146k) was recognised in the SOCNE. The cost is shown under Note 4, non-cash items.

## 7. Trade receivables and other current assets

| Amounts falling due within one year | 31 March 2026 £'000 | 31 March 2025 £'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade receivables | 1,594 | 1,337 |
| Other receivables | 3 | 2 |
| VAT recoverable | 533 | 473 |
| Prepayments | 608 | 462 |
| Accrued income | 150 | 77 |
| Contract Assets | 1,242 | 1,428 |
| **Total trade receivables and other current assets** | **4,130** | **3,779** |

Trade receivables are shown net of a provision of £28,260 (2024/25: £31,000) for bad debts. The provision is calculated according to the debt's age, status, and recent sector-specific debt-recovery information.

## 8. Cash and cash equivalents

| | 2025/26 £'000 | 2024/25 £'000 |
|---|---|---|
| Balance at 1 April | 3,359 | 4,445 |
| Net change in cash and cash equivalents | 956 | (1,086) |
| **At 31 March** | **4,315** | **3,359** |

Cash and cash equivalent balances were held in accounts administered by Government Banking Services.

## 9. Trade payables and other liabilities

| | 31 March 2026 £'000 | 31 March 2025 £'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade payables | 729 | 774 |
| Other taxation and social security | 607 | 534 |
| Accruals | 4,123 | 3,489 |
| Lease liability | 41 | 7 |
| Contract liabilities | 915 | 1,005 |
| **Total trade payables and other current liabilities** | **6,415** | **5,809** |

| | | |
|---|---|---|
| Amounts falling due after more than one year | | |
| Lease Liability | 131 | 107 |
| Contract liabilities | 41 | 48 |
| **Total trade payables and other liabilities** | **6,587** | **5,964** |

# 10. Capital commitments

There were no contracted capital commitments at 31 March 2026 (31 March 2025: nil).

# 11. Leases

### Disclosures around Right-of-Use asset

| Right of use assets | £'000 |
|---|---|
| Balance at 1 April 2024 | - |
| Additions in year | 154 |
| Depreciation in year | (6) |
| Accumulated depreciation | - |
| **At 31 March 2025** | **148** |
| Additions in year | 80 |
| Depreciation in year | (46) |
| Accumulated depreciation | - |
| **At 31 March 2026** | 182 |

### Disclosures around lease liabilities

| Lease liabilities | £'000 |
|---|---|
| Balance at 1 April 2024 | - |
| New lease liability in year | 113 |
| Lease payments in year | - |
| Interest expense on lease liabilities | 1 |
| **At 31 March 2025** | **114** |
| New lease liability in year | 58 |
| Lease payments in year | (7) |
| Interest expense on lease liabilities | 6 |
| **At 31 March 2026** | **171** |
| **Present value of obligations** | **31 March 2026 £'000** |
| Not later than on year | 41 |
| Later than one year and not later than five years | 130 |
| Later than five years | - |
| **Present value of obligations** | 171 |

## 12. Other financial commitments

We benefit from certain services provided centrally by Defra, including facilities management provided by Integrated Service Solutions (ISS) since April 2024. These services are agreed upon and managed through service-level agreements between VMD and Defra, but the core Department makes the contractual commitments and discloses these arrangements in its accounts. The total charge made by Defra in the current year for Estate Maintenance and Facilities Management services is £361k (2024/25: £374k), 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 46.

## 14. Financial instruments

As the cash requirements of the VMD are met from income from industry and funding through the Estimates process, financial instruments have a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size.

The VMD generates a proportion of its income from private sector sources, including veterinary pharmaceutical industry fees and residues surveillance activities. As a result, financial assets primarily comprise trade receivables. While this gives rise to some exposure to credit risk, this is limited in scale and is actively managed through established credit control processes. A provision for expected credit losses is recognised where appropriate, reflecting the recoverability of receivables (see Note 6).

The majority of the VMD's financial instruments otherwise arise from routine operational activities, including contracts for the procurement of non-financial items in line with expected purchase and usage requirements. The VMD therefore has limited exposure to liquidity risk and market risk.

The VMD undertakes a small number of transactions denominated in foreign currencies; however, exposure to foreign exchange risk is limited and not considered material.

Overall, the VMD considers its exposure to credit, liquidity, and market risks to be low and not material to the financial statements.

## 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 ongoing discussions in the Sanitary and Phytosanitary aspects of the EU Reset negotiations that could impact the VMD's work. The current situation in the Gulf between Iran, the USA and Israel have not yet enabled a return to pre-war trade levels and the free flow of traffic in the region. These combined with the wider uncertainty in the current geopolitical situation could have knock-on consequences for the veterinary medicines sector, especially the supply chain, and wider government priorities and therefore will be closely monitored.

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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