



AHVLA

**Annual Report
and Accounts
2011-2012**



Animal Health and Veterinary Laboratories Agency Annual Report and Accounts 2011 - 2012

Presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000

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1. CHIEF EXECUTIVE'S STATEMENT



This report and set of annual accounts summarises the first year of operation for the Animal Health and Veterinary Laboratories Agency (AHVLA) following its creation on 1 April 2011.

It has been a challenging year in terms both of establishing the organisation and delivering services to our customers, with an unprecedented level of change - designed to improve the effectiveness and efficiency of our delivery for the future.

In collaboration with key stakeholders across the four administrations we have devised a new strategy to guide our activities over the next few years.

As well as developing a new strategy we have made a great start at creating a single organisation and realising the many benefits that the merger brings. We have begun the process of rationalising our estate with former regional offices and laboratories being brought together into shared sites; delivering savings to the public purse

and improved opportunities for collaborative working. We have a new organisational structure that ensures that science is at the heart of what we do – informing advice to policy makers and field delivery, and a new performance management system to support all our people to deliver their best work.

Our international scientific reputation continues to grow and deliver benefits for the UK, for example it was our international links and strong local networks that ensured we were able to quickly identify and react to the Schmallenberg virus when it emerged. And although it has been very challenging, we have made progress in rolling out our new IT system, which will enable us to make big savings on our administrative costs in the future, as well as having better information to inform our work to control and eradicate bovine tuberculosis.

I would like to thank our customers and stakeholders for all their support during the year and in helping us to develop our new strategy. I look forward to working with you in the coming years to help deliver the strategy.

I would also particularly like to thank all my colleagues in AHVLA who have worked hard to ensure the delivery of our services to the customers who need them in a very challenging environment; as well as working with us to realise the many opportunities that the merger brings.

A handwritten signature in black ink, appearing to be 'CB', followed by a long horizontal line extending to the right.

Catherine Brown
Chief Executive

6 July 2012



2. WHO WE ARE AND WHAT WE DO

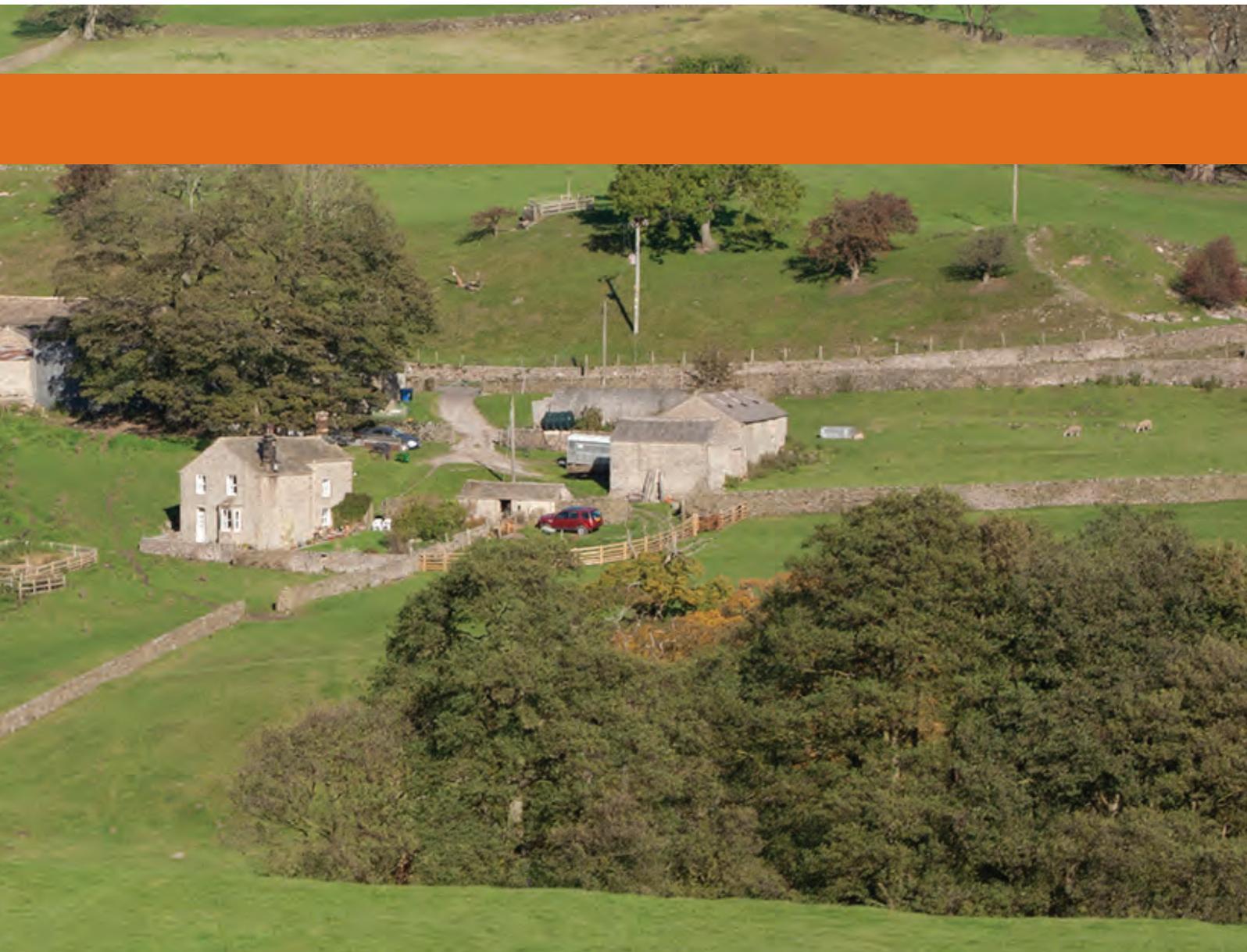


AHVLA is an Executive Agency of the Department for Environment, Food and Rural Affairs (Defra). The Agency was launched on 1 April 2011 following the merger of Animal Health, the Veterinary Laboratories Agency (VLA) and Defra's Advice Services Team.

We exist to

“Support a healthy and sustainable food and farming industry across Great Britain, and safeguard society from animal related threats by:

- Providing evidence and trusted expert advice for decision making on issues of animal welfare and animal and human health.
- Ensuring the most effective, economic and timely prevention of, and response to disease and implementation of decisions about animal health and welfare.”



The aim of the merger was to bring together field services, regulation, expertise and scientific capability on animal health and welfare into one agency. The key reason for doing this was to make both the delivery of these important services and the ability to respond to disease outbreaks more resilient in the current difficult economic situation.

We employ around 2,600 staff and operate from sites across Great Britain, including centralised facilities at Worcester and Weybridge and a network of offices, laboratories and post mortem facilities.

What we do

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

Our main customer is Government – specifically Defra and the Scottish and Welsh Governments. We also provide services to the Food Standards Agency, other government departments, the farming industry, international bodies and commercial customers worldwide.

Our day-to-day activity covers a wide range of tasks for diverse customer groups. These include:

- Conducting applied (problem solving) research and the generation of evidence to underpin effective policy making. A wide range of research projects are carried out on bacteria (e.g. tuberculosis, salmonella, *E.coli.*), viruses (avian influenza, Newcastle disease, rabies) and TSEs (BSE and scrapie).
- Carrying out veterinary surveillance and control work to identify threats to the livestock population and to public health. This includes a high quality subsidised diagnostic and referral service to help individual farmers and vets.
- If we detect cases of exotic disease, we manage the breakdown and where necessary take action to remove the infection.
- Checking the disease status of imported livestock.
- Working with Official Veterinarians (OVs) certifying that animals for export have passed all necessary checks.
- Checking compliance with animal by-product legislation to help minimise the risk of potentially dangerous substances entering the animal and human food chains.
- Conducting an annual risk based programme of welfare inspections under the EU Cross Compliance regime. As the Competent Control Authority in this area, we undertake these on behalf of the paying agencies in the Scottish Government, the Welsh Government and the Rural Payments Agency.
- Responding to reports of welfare problems in livestock.
- Protecting the welfare of animals during transport.
- Registering and licensing the imports of endangered wildlife and products in relation to the Convention on International Trade in Endangered Species (CITES).
- Inspecting the facilities and processes used in dairy and egg production to ensure the safety of the human food chain and that eggs meet quality and traceability standards.
- Overseeing the Pet Travel Scheme (PETS) which allows pet dogs, cats and ferrets from certain countries to enter the UK without quarantine as long as they meet the requirements of the scheme.
- Providing a reference laboratory function for a wide range of infectious and non infectious diseases in farm animals.
- Undertaking a range of services directed at private sector customers through the AHVLA Scientific brand.

Outbreak Response

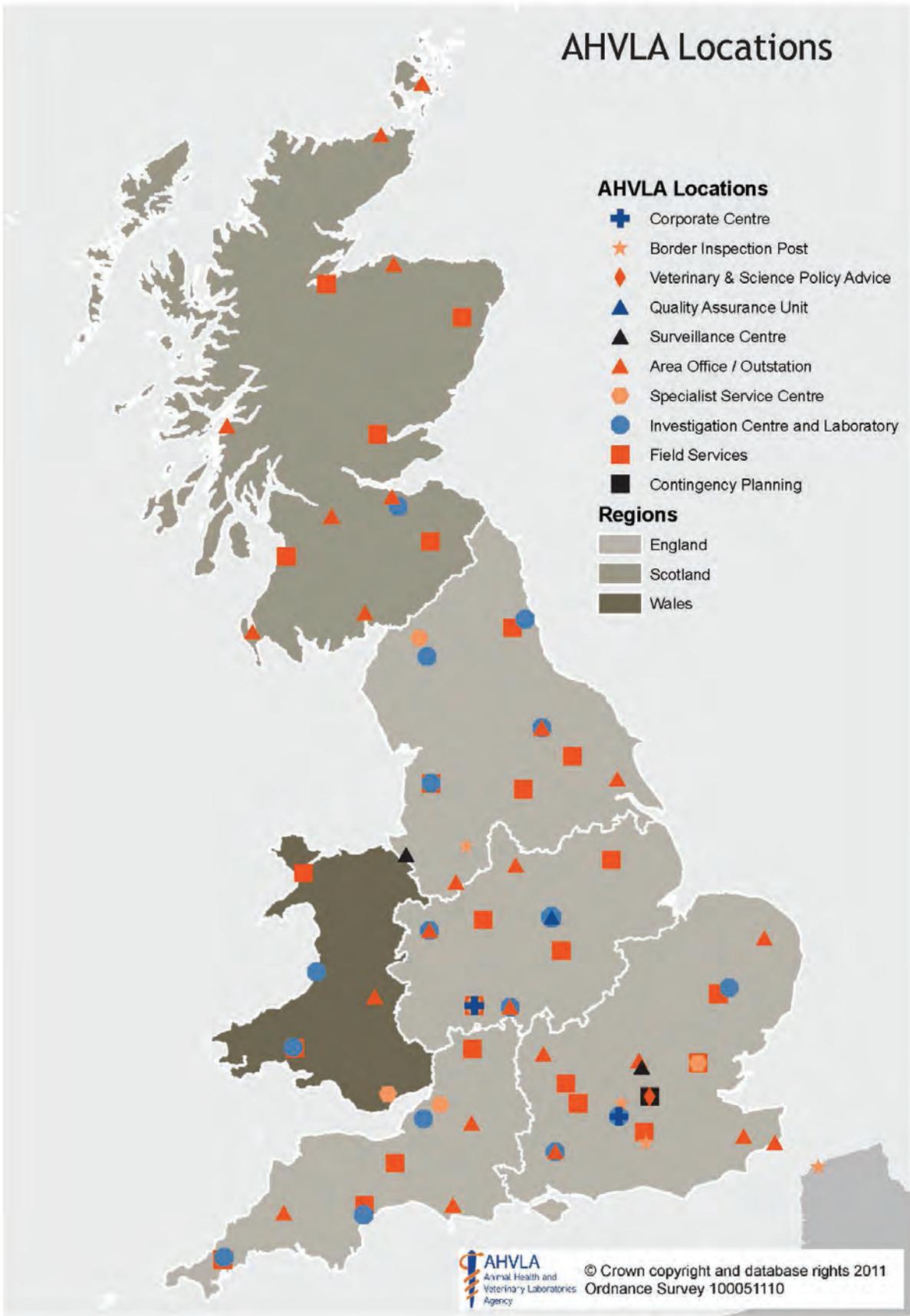
We work to prevent outbreaks of exotic disease, which are diseases not usually present in livestock in Great Britain, such as foot and mouth disease, avian influenza, classical swine fever and rabies. We are responsible for making sure that should such an outbreak occur we are ready to respond effectively. One of our top priorities is working with our policy colleagues, operational partners and industry to ensure that together we are ready to deal with any outbreak of notifiable exotic disease that might occur.

Our contingency plans have been developed with policy colleagues and key delivery partners, and we carry out regular exercises to ensure they work well and are effective.

Co-ordinated support is essential from delivery partners such as local authorities, the police, public health organisations and the Environment Agency, as well as representatives from industry and private veterinary practices. As resources are stretched more thinly across all publicly funded organisations it is more important than ever to work effectively together to minimise and manage risks.

Investigating reported cases of possible exotic disease forms a significant part of our routine activity; most are negative, but we put our comprehensive contingency plans into action when they are confirmed positive.

AHVLA Locations



3. OUR STRATEGY AND ACHIEVEMENTS



A key task in the first year of the new Agency's operation was to carry out a thorough strategic analysis of both the internal and external environment and to develop a common purpose, vision and strategy to take us forward to 2015. This involved extensive consultation with key stakeholders – farming and industry customers, our government customers, our delivery partners and our staff.

Our new strategy is based around four key themes and these themes are the cornerstone for a programme of activity – **Shaping AHVLA** – that will enable the Agency to fulfil its purpose and achieve its vision for 2015:

- Provide **relevant, quality assured evidence and expertise** – to support sound decision making, including through horizon scanning.
- Act as an **influencer** – both as provider of choice to policy customers across Great Britain in government and industry; and through relationships e.g. the farming unions and specialist and private veterinary surgeons with individual farmers.
- Be **flexible and adaptable** in delivering solutions – by finding the most effective and economical solutions to changing requirements, including out-sourcing and 'self service' models.
- **Work in partnership** – collaborate with others where it can increase our impact, and identify and build mutually beneficial links with key strategic partners e.g. the Health Protection Agency for England and Scotland, and Public Health Wales, in addressing the One Health agenda; and the local authorities in enforcement and response.

Our Achievements

The first year after the merger was a very busy one establishing the new Agency and delivering our customers' requirements in a financially very challenging environment. We have been working hard on building an Agency that is fit for the future – driving down our costs, and improving our capabilities and the ways in which we work with others to deliver our shared objectives

Developing our Strategy

Science is at the heart of what we do and we have worked hard throughout the year to ensure that science is effectively embedded across the Agency – from informing the advice that we give to policy makers through to our field delivery.

Professor Glyn Hewinson was appointed as Chief Scientist in June 2011. As part of developing the science strategy an independent capability review was conducted together with extensive discussions with our main science customers on capabilities and requirements.

Our science will focus on the identification and reduction of threats to animal health and welfare, and public health. It will ensure that we focus on ensuring and measuring the impact of our science, and building our capabilities to ensure that we can be responsive to new threats as they emerge.

An important first step in implementing the strategy has been to realign our Science Directorate into four departments to better reflect the way that our policy customers think about us and the way they want to do business with us:

- Bacteriology and food safety
- Virology
- TSE
- Bovine tuberculosis

Each is established as a multi-disciplinary department headed by a lead scientist. This creates more opportunities for cutting edge, relevant, high impact and high quality research and professional development as well as facilitating improved customer focus and alignment.

Discipline specific excellence is important so we will also create a cadre of 'discipline champions' who will look across the different multi-disciplinary science departments and ensure that our professional disciplines remain future facing and in touch with developments in their specialist fields.

The four science departments are supported by a Specialist Scientific Support Department that encompasses a wide range of support functions, such as biological products, reagent production, technology transfer, animal services, histopathology, bio-informatics, statistics, mathematical modelling and sequencing. This provides efficiencies in terms of expensive equipment and skills as well as the standardization of processes across the departments.

Epidemiology is fundamental to veterinary surveillance and general scientific thinking, so has been brought together into one team in the Veterinary Directorate, with close links to teams in the science departments to ensure epidemiology is at the heart of our scientific thinking.

A New Surveillance Model

A priority in 2011-12 was to identify ways to undertake veterinary surveillance both more effectively and at an affordable cost to the taxpayer. Veterinary surveillance seeks to identify new or re-emerging threats to our livestock population, and to public health. It involves a partnership approach between livestock keepers, private veterinary surgeons, industry bodies, AHVLA and others to effectively gather and assess intelligence.

Surveillance has historically been based on in-depth investigation of disease incidents with an emphasis on post mortem examinations carried out at AHVLA's regional laboratories. This system is a key element in the Government's risk-based approach to the management of animal disease related threats.

The current model, although successful in identifying diseases in the past, can be improved upon and an initial review conducted in the early part of the year - AHVLA's Sustainable Surveillance Project - identified viable options for achieving better surveillance at the same or lower cost by, for example, moving towards risk and intelligence based surveillance and improving the value added by working more closely in partnership with vets and their farmer clients and other sources of intelligence data.

As a follow on to this project an independent advisory group was established to recommend a future delivery approach for veterinary surveillance in England and Wales. The advisory group was chaired by Dirk Pfeiffer, Professor of Veterinary Epidemiology at the Royal Veterinary College and included representatives from government, the veterinary profession and the livestock farming and private laboratory industries.

Part of their work was to roll out an online survey aimed at individual veterinary practitioners and livestock keepers and seeking their opinions on the inputs, mechanisms, outputs and value of surveillance in England and Wales. More than 1,000 responses were received from vets and farmers and this informed the recommendations of the advisory group.

The Surveillance Advisory Group Report was published at the close of the year and the implementation, design and planning will start in 2012-13.

Laboratory Services Rationalisation

Early in 2011-12 a review was carried out to look at more effective and efficient ways of delivering laboratory services across England and Wales. This work followed the AHVLA Sustainable Surveillance Project mentioned earlier, which recommended that post-mortem examination of carcasses (the most valuable aspect of surveillance work) be decoupled from the laboratory services functions, and therefore removing the requirement for co-location of the two areas. The model for separating these two areas has already been successfully tested for some years at the surveillance centres located at the Liverpool and London veterinary colleges, and since October 2010 in the Newcastle area where the majority of laboratory services have been carried out at our Thirsk laboratory.

As a result of the review, work was put in train to cease laboratory testing at Thirsk, Truro, and Langford by 31 March 2012; and Aberystwyth, Carmarthen, Luddington, Preston and Winchester by 31 March 2013. As well as cost savings of around £2.4m per year there are advantages to delivering through a smaller network of larger laboratories and we will be able to re-introduce weekend testing, which will improve test turnaround time in some cases. Our ability to respond to disease outbreaks will not be affected as confirmatory testing for notifiable disease is carried out at Weybridge, which is not affected by the changes.

AHVLA experts work across government on animal disease database

D2R2 is a collection of profiles of exotic and endemic diseases, including zoonoses, used to establish the relative priority of these diseases to support decision-making. It was largely created and populated by AHVLA staff with contributions from other government departments and devolved administrations.

There are many hundreds of animal diseases and it is not practical, possible or necessary to watch and be prepared for all of them, all of the time. The government's Animal Health and Welfare Strategy published in 2004 endorsed the creation of a tool to help prioritise animal health issues so that government efforts to detect and control animal diseases are directed at those which are likely to have the greatest risk and impact on society.

The Strategy also identified the four 'reasons for government intervention' (RFI) which are used to assess the priority of a disease:

- To protect public health
- To protect and promote the welfare of animals
- To protect the interests of the wider economy, environment and society
- To protect international trade

The name D2R2 is derived from its key functions; disease briefing, decision support, ranking and risk assessment. It consists of a database and analytical module containing a wide range of standardised information on each disease including geographic distribution, epidemiology, legislation, risk assessment, disease control and surveillance, and the impact on the four RFIs.

Each disease profile includes 39 key criteria which have been scored using standardised definitions, and these scores are weighted using a formula developed with policy-makers. The analytical module collates the scores to give a percentage value for each RFI to reflect the impact the disease has on public health, animal welfare, wider society, international trade, and risk and mitigation.

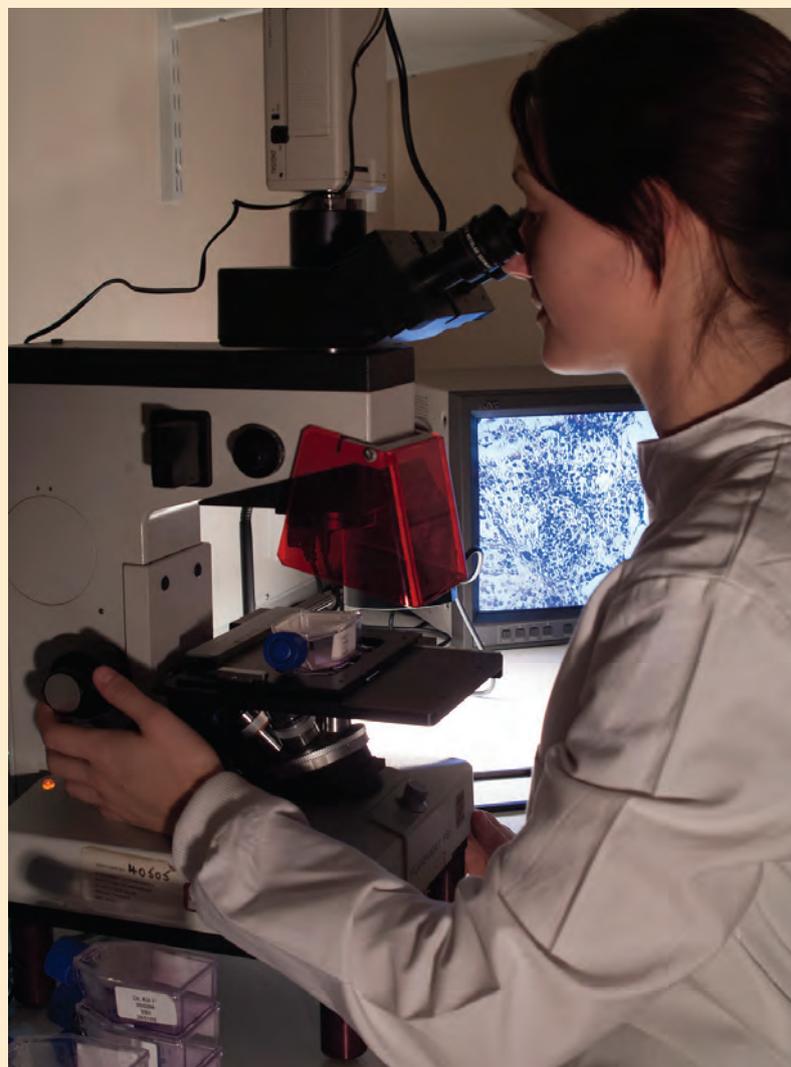
D2R2 plays a key role in policy development for Defra as it identifies current priorities, and new or changing disease issues. It also provides efficient

and quick access to data provided by scientific and veterinary experts which is crucial in the event of a disease outbreak. We will next be exploring how colleagues in devolved administrations can use it for their own policy work as well as use of the current evidence base for cross-administration discussions.

D2R2 is an example of effective multi-disciplinary working across government and AHVLA, which has used the skills and expertise of vets, scientists, economists and policy staff.

AHVLA scientific and veterinary experts have played a leading role in the drafting of each disease profile co-ordinated by scientific project managers. The Specialist Service Centres at Carlisle and Chelmsford also provided data on exports and imports.

The success of D2R2 was recognised at the Defra SVE Career Home Evidence & Analysis Conference held in January 2012. The project team was a runner up in a competition held on excellence in multi-disciplinary working.





The AHVLA Scientific brand gives our non UK Government customers a window on the products and services that the Agency can offer. This work ranges from the sale of biological reagents and diagnostic kits for effective and reliable laboratory testing right through to vaccine development and testing for pharmaceutical companies worldwide.

A new composting validation and monitoring service was launched during the year - designed for customers who are seeking approval for their alternative transformation composting process of household waste under EU regulations EC142/2011. This regulation permits operators to specify their own treatment parameters provided they can demonstrate by testing that the processing conditions result in minimal biological risk to the final product. The composting industry is expanding and by introducing new technology to speed up the process, AHVLA is assisting the industry by providing the bacteriological and viral expertise and samples to enable them to demonstrate the effectiveness of these new processes.

Vetqas is AHVLA's independent accredited proficiency testing service and is an international market leader with over 30 year's experience. During the year Vetqas issued over 20,000 samples to laboratories worldwide and saw a 25% increase in income from non AHVLA laboratories.

During 2011-12 several new licence deals were signed and royalty income was the highest ever at just less than £0.5m. Royalty income has risen over the last few years reflecting our efforts to maximise income from intellectual property developed during publically funded research.



Emergency Preparedness

As a merged agency we have integrated planning, surveillance, sampling and testing work as well as a co-ordinated disease outbreak response plan should an outbreak be confirmed. The year saw 117 suspect cases of exotic notifiable disease investigated. While these all proved negative, the risk of exotic disease appearing is ever present and we remain vigilant for existing and new threats such as the Schmallenberg virus.

Our preparedness was tested through 13 local exercises incorporating lessons learnt from the 2010 national exercise 'Silver Birch'. The action plan,

showing progress in implementing these lessons, was published in November 2011.

In February we published a Great Britain and Northern Ireland plan demonstrating how the four administrations would work together in the event of an outbreak.

An extra feature this year was working with other government departments in planning for emergencies that could affect the Olympic Games, particularly the equestrian events.

Our Estate

An early merger opportunity was to look at the Agency's estate and make sure that it fully meets operational delivery within 'business as usual' and in the event of a disease outbreak, while minimising its cost.

Rationalisation has been achieved by surrendering properties at lease end or lease break, closing surplus operating bases and identifying opportunities for co-location across the wider Defra network and government. Over the past 18 months we have vacated 15 former regional offices.

We are currently completing projects to rationalise space and bring together laboratory and field staff at Bury St Edmonds and Newcastle, and are completing the vacation of Quantock House in Taunton.

On completion of these projects we will have achieved over £1.5 million gross savings per annum, whilst reducing the AHVLA footprint and helping us achieve government targets for carbon reduction. But the real benefit in terms of creating a single organisation has been to bring together teams and so enable greater collaborative working.

Schmallenberg virus

AHVLA's international links and strong local network ensured that we were quick to identify and react to the Schmallenberg virus when it emerged at the end of 2011.

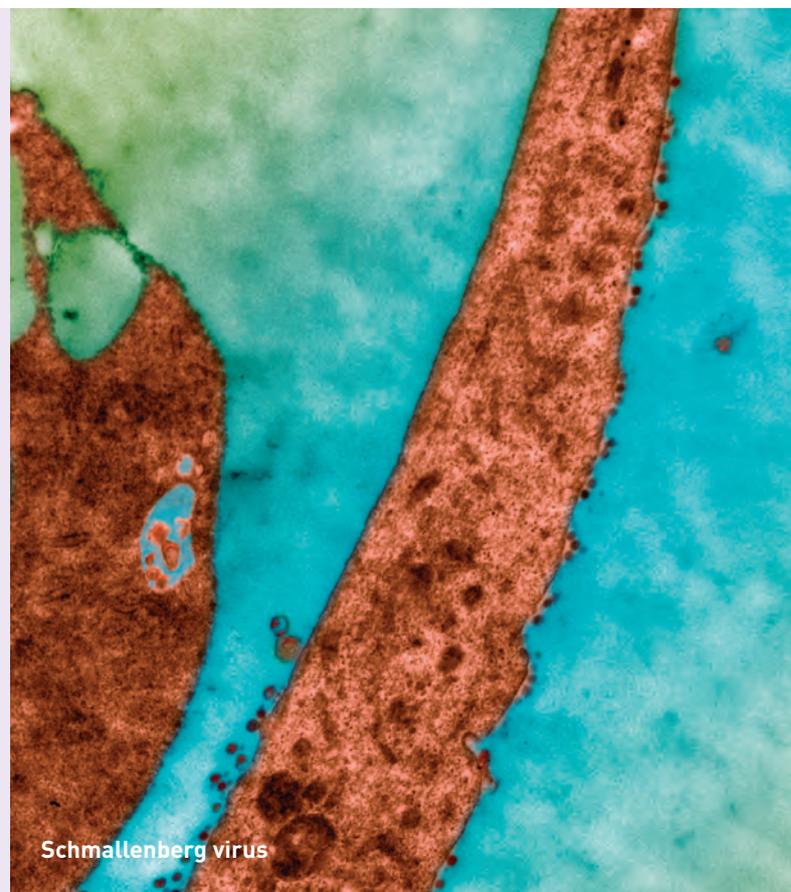
Our links with counterpart laboratories in Europe alerted us to the emergence of a new disease caused by the Schmallenberg virus, first reported in Germany at the end of 2011. We brought this to the attention of policy colleagues and then issued a warning to farmers late last year via AHVLA Species Expert Groups.

We quickly established a diagnostic test using information and materials kindly provided by our German colleagues and using this we detected the first case in sheep, in Britain, in mid-January 2012.

The characteristics of the Schmallenberg virus are now well documented on the AHVLA website where regular updates on the disease status are published.

To assess the impact of the disease we have worked closely with farmers and private veterinary practitioners by offering a free testing service and recording cases as well as obtaining material for post-mortem examination.

We constantly monitor the situation in Europe because it helps us to anticipate how the situation may develop here in GB, how the disease can best be managed and how it might be spread. We are working closely in collaboration with European scientists, to answer the many scientific questions concerning the way the virus spreads, how to detect it and protect against it, in order to ensure the impact of the disease is minimised.



Laboratories throughout Europe are also continuing to work together to develop and validate reliable, sensitive tools to enable rapid, accurate and cost-effective diagnosis of the disease.

We and other scientists in Europe are also in dialogue with vaccine manufacturers, who are assessing the possibility of making a vaccine for the disease. This will be a commercial decision by these manufacturers, since it requires significant investment and can take two years or more to develop and license a new vaccine.

Implementation of Scotland's risk-based routine TB herd testing policy



A range of skills were brought together from across AHVLA into a 'virtual team' enabling the safe reduction of the number of herds eligible for routine TB testing in Scotland from around 10,000 to around 6,700 over the next four years, leading to significant savings for Scottish Government, AHVLA and the agricultural industry in Scotland.

In this nomination for the AHVLA Excellence Awards 2012, Martyn Blissitt, Veterinary Advisor – Scottish Government, said: "This 'virtual team' exemplified the strengths of AHVLA; combining IT expertise and analysis from Weybridge, administrative and organisational skills from Worcester, Galashiels and Saughton House, mapping analysis from the Geographical Information System (GIS) team at Worcester, and a strong co-ordinator in the Veterinary Business Partner for Scotland. The whole team played an essential role in the development and implementation of the 'risk-based' routine herd TB testing policy in Scotland.

"The work involved co-ordinating the selection of exempt herds at Weybridge, changing processes and field instructions at Worcester, reality checks and advisory input at AHDOS in Scotland, and GIS mapping at Worcester, to see where the impacted farms and OV practices were located. The new policy was delivered flawlessly, on time, and throughout a period of significant change in the Agency."

Developing our People and Expertise

We have continued to pay attention to developing our people in order to be recognised as experts in science and delivery, and to be able to work effectively with and influence our stakeholders. We have developed new people policies, new terms and conditions, and introduced a new performance management system.

We took part in the Civil Service-wide People Survey to look at employee engagement and find out how our people are feeling about the new agency and what we could do better in terms of working effectively together. The Executive Team met to discuss the results and considered areas where actions could be taken to build engagement. These actions are being drawn together and will be presented in an ongoing rolling plan. Across the organisation teams will continue to address their own local issues by developing action plans and sharing best practice. An Employee Engagement Group has been created to provide a two way channel of communication by representing the views of and feeding back messages to their colleagues.

We have also continued to invest in learning and development. For our veterinary, scientific and technical staff a comprehensive schedule of training and specialist conferences has been held to provide an opportunity to refresh current knowledge, learn new skills, network across the Agency and hear about changing legislative requirements.

The total full time equivalent (FTE) working days lost due to sickness-related absence in 2011-12 was 16,596. This equates to an average of seven working days lost and is a material improvement of one working day lost per FTE when compared to the previous year.

We are committed to equality of opportunity for employees and potential employees. AHVLA gives fair consideration to applications for employment from people with disabilities, having regard to the nature of the employment. It similarly seeks to enable members of staff who may have become disabled to continue their employment. At 31 March 2012, 8% of staff members have a notified disability compared to 8.9% last year.



Cattle testing positive for TB to be DNA tagged

Working in partnership with local authorities and TB policy colleagues in England and Wales, an AHVLA team lead a project to address the issue of identity switching of bovine TB reactors.

Early in 2011, following a slaughterhouse survey of reactor cattle, it was found that a small minority of cattle farmers were illegally swapping the identity of cattle disclosed as positive bovine TB reactors. The incentive for this substitution was the retention of profitable animals in the herd with less valuable animals being sent for slaughter instead, thus obtaining a compensation payment for a non diseased animal.

Of course the primary concern for AHVLA was the retention of disease on the farm and therefore it was essential to deliver a swift and robust solution to the problem. This was vital to protecting the wider cattle industry as well as strengthening the TB eradication programme.

In March 2011, Agriculture Minister, Jim Paice announced that all cattle identified as TB reactors would be marked with a DNA capture ear tag at the reading of the TB skin test. The procedure allows the testing veterinarian to take a small sample of ear tissue in a sealed capsule which is then submitted to the Central Tagging Team in the Specialist Service Centre at Worcester to record and store. Working with the Food Standards Agency, a pre-determined number of these are routinely cross-matched against samples taken from the cattle that are submitted for slaughter. The DNA sequencing is completed by AHVLA's Central Sequencing Unit

at Weybridge and the analysis verifies that the correct cattle are being submitted for slaughter; it also allows further investigation in the event that the identity of a TB reactor arouses suspicion and provides an effective deterrent against this type of fraudulent activity.

The AHVLA Regulatory Hub, along with the wider DNA Tagging Project Team, acted expediently to implement this new measure and utilised expertise already developed within the Central Sequencing Unit. Equipment was procured and distributed to all AHVLA testers and Official Veterinarians in private practice, instructions were written and processes were designed. DNA tagging began across England and Wales at the beginning of May 2011. The implementation process represented excellent partnership working between AHVLA and other agencies, Defra, Welsh Government, the industry, British Veterinary Association and other key stakeholders.

To date, in excess of 19,000 DNA tags have been applied to TB reactors. All of the cattle selected for cross-matching have matched the sample that was taken at the time of the TB test.

One of the major benefits of the procedure is the enhanced traceability of infected animals, as well as the increased protection to animal health. This project has demonstrated the benefit of joining both operational and scientific delivery into the Agency to provide a comprehensive service to the customers.

Working with Policy Customers

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

One important change, developed with customers, during the course of the year is a new relationship management structure, which will mean that our main policy customers will have a single point of contact with the new agency. This work also looked at end-to-end alignment of all the activities in the former agencies and opportunities to refine and reorganise the central functions of finance, planning, performance and contracting to support the new relationship managers and to meet the needs of the Agency and the policy customer.

We have worked closely with Defra and operational partners to support changes to the Pet Travel Scheme, which came into effect on 1 January 2012. The changes align the UK with the EU-wide pet movement system and will deliver benefits to pet owners, making it easier and cheaper for people who travel from the UK with their pets (around 100,000) each year; but without increasing the risk of rabies entering the UK.

We set up a steering group to work with the Defra team responding to the Independent Farming Regulation Task Force - known as the MacDonald report - which looked at ways of improving the customer experience by reducing the administration burdens and introducing targeted inspection regimes in England. The Government's response to the report was published on 21 February 2012 and of the 220 recommendations (with a further 18 directed at the Food Standards Agency) Defra accepted 159 and are considering what could be possible on a further 31. Work is now underway to turn these commitments into action. The remit of the steering group has recently been broadened to include an assessment of the impacts of the 'Wales - Working Smarter' response recommendations that were published at the end of January 2012.

In September 2011 an FVO Mission Audit was conducted to evaluate the operation of the bovine tuberculosis eradication programme in England and Wales. The report was published in January 2012 and we are working with Defra and the Welsh Government on the implementation of a follow-up action plan.

Engagement continues with the Welsh Government through a programme of regular meetings at all levels of the organisation to make sure that their requirements are at the core of what we do. An important piece of work is to support the delivery of their TB Eradication Plan which includes regular contribution to regional eradication boards, project and programme boards, as well as support to proposals ahead of Ministerial announcements. We have also worked closely with the Welsh Government and operational partners on the 'Enhanced Management of Persistent Breakdowns' project to see if there are better approaches to breakdown management.

We also held a veterinary conference bringing together experts from AHVLA Wales, the Welsh Government, and specialists from the corporate centre, with a focus on how we improve efforts to eradicate TB.

In Scotland we have worked closely with the Scottish Government on the development and implementation of the risk-based TB Surveillance Programme. We contributed to policy formation and put in place systems and processes to identify and remove low risk herds from routine testing without significantly affecting the sensitivity of surveillance. We delivered presentations to stakeholders and delivery partners to ensure they fully understood and accepted the changes.

In recent months we have procured and delivered training for our own and Scottish Government staff on the welfare and husbandry of farmed fish and game birds.

We have provided support to the BVD Control programme of the Scottish Government particularly in briefing and explaining the complexities of the scheme to stakeholders at both meetings and in person.

We have visited and assessed all regular livestock markets in Scotland and provided intelligence to support the development of new legislation.

AHVLA develops new application to view livestock holdings

AHVLA has developed a new geospatial application which provides a visual view of the spread of land across England with livestock premises. It supports the Agency's day-to-day activities and will play a key role in responding to a disease outbreak.

Known as the CPH Viewer, the application brings together information collected by AHVLA on livestock keeping and data held by the Rural Payments Agency (RPA) on land holding. It is an important example of government agencies working in collaboration and sharing data to benefit both industry and government.

The organisations can now effectively share a spatial view of livestock premises providing more immediate and comprehensive data on where animals

are being kept in England. This reduces the need to ask customers for information already held by government and will improve the initial response to a disease outbreak. The application will also provide key information for policy-making as it can be used to understand the size and spread of holdings across England.

All the data is held securely and at present access is limited to AHVLA, RPA and Defra. Funded by Defra, the next phase of the project will be to include Welsh holdings and discussions are underway with the Scottish Government. The aim is to extend access to both the Welsh Government and Scottish Government.



Health and Safety

New governance arrangements for health and safety (H&S) have been established comprising a Strategic H&S Committee, which meets quarterly and is chaired by the Chief Executive, and supported by an Operational H&S Committee.

Early in the year an AHVLA H&S Plan was established with a rolling programme of H&S objectives and actions. Key elements of the plan include reinforcing line management responsibility and training for staff and managers, as well as a review of key procedures.

During 2011-12, nine incidents were reported to the Health & Safety Executive (HSE) under the requirements of RIDDOR. A total of 63 days time was lost as a result of accidents, 6% of total reported incidents resulting in lost time.

There have been a number of interactions with the HSE, including inspection of the SAPO 4 facilities, a training and competency review and investigation into four incidents reported under RIDDOR. Investigation continues in some of these areas. No notices have been served during the year.

AHVLA International Conference 2011 – on the world stage

'Animal Diseases and their Consequences' was the theme of AHVLA's international conference held in September 2011 at Royal Holloway, University of London.

Over 400 delegates from 22 countries across the world attended the three-day event with speakers from AHVLA, veterinary and academic institutes, and public health organisations.

The veterinary and scientific programme looked at several significant animal diseases and their links to human health, as well as considering the wider picture of animal health delivery and its costs. The range of topics included the role of international reference laboratories, horizon scanning for animal and public health and an overview of BSE; marking

25 years since the disease was first described. Professor Glyn Hewinson, AHVLA's Chief Scientist said:

"Not only was the conference an excellent flagship for AHVLA, it was a fantastic way to get to meet people from all over the Agency and share ideas with scientists from many different countries engaged in similar activities as ourselves. I was particularly struck with the impact that our science has across many areas of work, not only in this country but across the world."

With sponsors from scientific partners in the private sector, the event also hosted the Med-Vet-Net Association Conference on zoonoses and the Association of Government Veterinarian's Conference on evidence-based veterinary medicine.

Customer Insight

Aside from our policy customers we have a wide range of other customers who interact with us. As part of our commitment to understand their priorities and anticipate and respond to their requirements we have commissioned a targeted piece of customer insight. Around 500 customers were surveyed during the last quarter of 2011-12 to understand how AHVLA, its services and ways of communicating are perceived and to identify areas for improvement. The results will be available early in 2012-13 and will feed into our developing Customer Insight Strategy.

Partnership with Vets

In September 2011 a number of meetings were held with private veterinary practitioners and the farming industry across the country as part of our wider strategy around partnerships, to consider with them what services they may be interested in and be able to help us deliver in the future. The meetings were a success and have helped us develop our thinking in these areas and further work will continue into 2012-13.

A multi-supplier contractual framework agreement was put in place during the year in order to provide AHVLA with a resilient and flexible UK wide veterinary resource. This includes short term cover in business as usual work as well as demands that arise in an outbreak or incident of an endemic or exotic notifiable disease.

Successful bid for funding from the Bill and Melinda Gates Foundation's Global Health Programme and the Department for International Development (DFID)

AHVLA's TB Research Team was successful in winning a Bill and Melinda Gates grant as well as DFID funding to look at *'The use of bovine experimental challenge and natural transmission models of tuberculosis to validate human BCG challenge models for assessing TB vaccine efficacy'*. The project runs for three years and is worth a total of \$2.2M.

The Bill & Melinda Gates Foundation's Global Health Program focuses on health problems that have a major impact in developing countries (such as tuberculosis) by investing in research and the development of new interventions such as vaccines, drugs and diagnostics. To develop and license an improved vaccine against human tuberculosis for use in high burden countries is one of their priorities. DFID is the UK government department responsible for development and the reduction of poverty and operates a number of funding opportunities

AHVLA's Chief Scientist, Professor Glyn Hewinson said: "A Gates Foundation grant is a highly prestigious award and reflects the excellence of the TB research work at AHVLA. The purpose of AHVLA's project is to develop a natural infection model in cattle to test how well candidate vaccines block the transmission of TB between animals; and to work closely with those involved in the development of human TB vaccines to validate a human BCG challenge model that is being developed by collaborators at the Jenner Institute in Oxford. This project also supports our 'One-Health' work, linking veterinary and human health problems."



Systems and Processes

The Business Reform Programme (BRP) is an IT-enabled change programme designed to make us more efficient, consistent and resilient. A significant activity this year was BRP Release 6, which has been designed to improve the speed and quality of data capture and delivering improved process efficiency specifically in the high volume bovine TB area. This work will also reduce the reliance on outdated legacy systems.

The implementation proved extremely challenging, with a number of problems only emerging after the system went live. Staff across the Agency worked

tirelessly to mitigate the effects on customers, and by the end of the year the significant problems were under control and the planned benefits were in the process of being realised.

In line with Cabinet Office requirements to ensure that risks relating to information assets are managed and controlled we have continued to deploy information security training. All staff have successfully completed Protecting Information Level 1, with relevant individuals successfully completing Level 2 and 3 to a satisfactory standard.

4. SUSTAINABILITY IN AHVLA



As part of its sustainable development strategy, the Government encourages both companies and public bodies to disclose their sustainability and environmental performance via their annual reports and accounts. The AHVLA environmental data presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting, Guidance for 2011-12 Reporting.

About the Data

There are limitations to the accuracy of the sustainability data and AHVLA are continuing to work with Defra and Interserve to improve the quality of our internal controls. Energy and water consumption figures are based on billed amounts and are therefore subject to adjustments in subsequent periods. Defra is currently unable to fully capture utility data that forms part of landlord service charges. Work is ongoing to improve the accessibility of this data, including gross expenditure on the purchase of energy and total expenditure on waste disposal.

The scope of the report is aligned to the Greening Government Commitments (GGC). As AHVLA was a newly formed agency in 2011-12, for comparison of the data against the previous year, we have added the 2010-11 data from former VLA and Animal Health together, and likewise for the 2009-10 baseline figures.

Departmental Performance Summary

The GGC set out a range of new measures on reducing greenhouse gas emissions, reducing waste, reducing water use and making procurement of goods and services more sustainable.

By 2015, against a 2009-10 baseline, AHVLA aims to:

- Reduce greenhouse gas emissions from the whole estate and business related transport by 25%;
- Reduce the amount of waste we generate by 25%;
- Reduce water consumption and report on office water use against best practice benchmarks;

- Ensure that we buy more sustainable and efficient products and engage with our suppliers to understand and reduce the impacts of our supply chain;
- Cut our paper use by 10% in 2011-12.

Going forward, AHVLA will be developing delivery plans for reducing the CO2 impact of our own operations. Working closely with Defra Estates and Interserve we will be looking to ensure best practice benefit can be achieved. Further information on the Greening Government Commitments is available online.

Defra recognises the large impact the Weybridge site has on AHVLA's sustainability performance and indeed on the Department's performance as a whole. This is why they are willing to assign some resource to provide separate reports on a monthly basis in order to better inform AHVLA about the performance at Weybridge. Due to the way data is gathered it is not always possible to provide data for the most recent calendar month and so the most recent available data is provided. This situation should improve over time as Defra embed more AMR devices that will give 'instant' access to consumption data.

End-of-Year Performance Results

Performance results for 2011-12 are compared against the sum of actual consumption data for Animal Health and VLA for 2010-11. Similarly the 2009-10 baseline figures that GGC targets are measured against are a sum of the two agencies results for that year.

GGC Targets

Target Area: Carbon

Performance: 19.9% reduction (13.2% from last year)

Status: AHVLA are on track to meet the target

Target Area: Waste

Performance: 28.4 % reduction (12.2% from last year)

Status: AHVLA are on track to meet the target

Target Area: Water

Performance: 21.2% reduction (0.94% increase from last year)

Status: AHVLA are on track to meet the target

Environmental Management Systems (EMS)

AHVLA is committed to running its business in the most sustainable way which means that we consider all aspects of our daily operations, and take steps to minimise their impacts on the environment.

AHVLA currently has ISO 14001 certification at the following sites:

- Worcester, Leicester, Preston, Carlisle, Stafford, Gloucester, Truro (May 2002)
- Weybridge (March 2005)
- Bury, Starcross and Newcastle (February 2007)
- Shrewsbury, Sutton Bonington and Winchester (March 2008)
- Langford, Preston and Carmarthen (January 2009)
- Luddington (July 2009)

ISO 14001 is currently being rolled out to all Regional Laboratories, each of which will be audited in the next few years.

Carbon and Energy from the Office and Laboratory Estate

Defra has an ongoing delivery plan, developed through its carbon reduction programme which is continually identifying and reviewing opportunities for improving energy efficiency and implementing initiatives within AHVLA. These help ensure that the Department is on track to meet its CO2 reduction obligations. This plan is updated regularly, being informed by regular benchmarking and targeting of

energy use at a property level and through in-depth energy surveys. The initiatives fall into four categories:

- Improved management of building plant and machinery through ongoing training and development of facilities management colleagues, and implementation of more effective control mechanisms (timers, thermostats etc);
- Implementation of technologies (such as low energy lighting, voltage optimisation) which improve the energy efficiency of buildings;
- Staff behavioural change campaigns to encourage staff to consider more efficient ways of working and to have a greater awareness of the energy they are using;
- Input to estate strategy decisions enabling the department to consider energy and sustainability performance in property rationalisation decisions.

Recommendations arising from recent in-depth surveys of the Department's four largest laboratory facilities are currently being developed into business cases for project implementation in the 2012-13 financial year.

Waste

AHVLA has a contract through our facilities management contractor, Interserve, with D.S. Smith Recycling, through which all of our waste is managed according to the Reduce, Reuse, Recycle hierarchy. This arrangement ensures that all waste is disposed of in the most appropriate and environmentally responsible manner. This contract has been in place for over 12 months now and it has been successful in delivering an improved waste and recycling service with more consistency between site facilities across the portfolio. This contract has also provided more accurate data on the waste we produce and recycle, giving us more information about where we need to focus our attention.

Defra's Procurement team is working with suppliers of new contracts to minimise packaging waste and to consider sustainability more widely in their service provision.

Paper

The print optimisation programme, which has recently been rolled out across the Defra IBM community, has helped to reduce paper use. As part of this programme, default print settings for back-to-back (duplex) printing and draft settings were initiated. This programme has resulted in a reduction in the number of print and photocopier devices across Defra from nearly 2050, to 900 multi-function devices. The new devices are accredited under the ECMA scheme for energy efficiency and have the functionality to provide statistics on pages printed by each user. This gives managers the means to track and drive down paper consumption for their unit.

Water

To improve data on water usage Defra and Interserve initiated a 'water metering project' in February 2012, with the aim of capturing more accurate, reliable data.

There was a significant water leak at the Worcester HQ site in December 2011, although it is not possible to gauge the exact impact this had on the 2011-12 figures.

A considerable amount of water is consumed by scientific processes on the laboratory estate. Water is used in many essential processes including ensuring sterile laboratory environments are maintained and to prevent contamination risk. Improvements have already been undertaken to replace water intensive laboratory equipment with more efficient technologies.

On average, water consumption per FTE per annum across the AHVLA estate is 5.47m³. GGC guidance states that between 4 – 6m³ = 'good practice'.

Adaptation to Climate Change

Climate change adaptation surveys have been carried out estate wide by Defra. These are being used to inform estate strategy decisions on rationalisation and office relocations.

Governance

All major AHVLA contracts are handled by Defra. Defra's Sustainable Operations and Procurement Strategy is developed and delivered through a Sustainability Governance Board and reported to Defra's Management Board on a monthly basis.

Waste		2011-12 ¹	2010-11	2009-10
Tonnes	Total waste	1711.29	1949.83	2388.48
	Hazardous waste	34.35	114.21	884.69
	Reused, recycled, composted	208.65	168.87	218.07
	Incinerated with energy recovery	792.33	794.13	843.68
	Incinerated without energy recovery	625.10	769.88	349.74
	Landfill	50.20	99.89	92.30

Water		2011-12 ¹	2010-11	2009-10
M3	Total water consumption	214918.56	212925.5	186003.97

Energy consumption		2011-12 ¹	2010-11	2009-10
KWh	Electricity	17142036.27	18070731.84	18582079.49
	Gas	28712909.32	48301231.06	31965463.52
	Oil	377966.02	13707485.72	728695.05
	Biomass	203145.01	684916.93	110256.32
	CHP ¹ heat	951608.53	9149.39	1310116.95
	CHP ¹ power	4028916.41	6240.00	5983756.03

CO2 emissions		2011-12 ¹	2010-11	2009-10
Kgs	Electricity	2325651.77	9833730.86	10052905.01
	Gas	2123063.85	9416491.62	5881645.29
	Oil	57566.38	143634.35	183631.15
	Biomass	0.00	0.00	2205.13
	CHP ² heat	628.70	1474.19	206475.54
	CHP ² power	2499.14	1023.78	1886079.90

¹ - Performance figures are based on Q1 - Q3, added to Q4, 2010-11 as standard practice

² - CHP - Combined Heat and Power

5. PERFORMANCE AGAINST TARGETS



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

The following section summarises our performance in 2011-12 for the key Performance Outcomes and Performance Standards. These are described as:

- Met – all elements of the target fully achieved
- Met in part – applied when the major elements of a target have been fulfilled
- Not met – target not achieved by the end date.

RAG (Red, Amber and Green) thresholds are assigned to Key Performance Standards by the target owner and agreed by our policy customers. They are specific to each target and will vary. The assessment of each target is based on the specific RAG threshold which determines the outcome of whether the target has been met, met in part or not met.

Key Performance Outcomes 2011-12

Value for Money & Operational Efficiency		
TARGET	Full cost recovery in 2011/12 Expenditure = income Excluding hard charges and accounting adjustments due to fluctuations in property values. (2% tolerance)	MET
TARGET	Efficiency savings in line with CSR settlement. 6% saving in corporate budgets 10/11 to 11/12 (not in year)	MET
TARGET	Harmonised service level agreements (SLAs) in place Identify SLAs for harmonisation by Q2 Harmonise by end of Q4	MET
TARGET	Reduce carbon and water usage	MET
TARGET	Develop a scanning surveillance model Rationalise estate requirements. Model developed by Q4	MET
Capability, Resilience & Outbreak Management		
TARGET	Safeguarding resilience in face of reduced budgets Conduct a planned number of exercises which meet agreed objectives Each exercise will include a lessons identified report and action plan	MET
TARGET	Implement Release 6 of BRP & deliver business case benefits	MET IN PART

Customer Satisfaction		
TARGET	Strive to maintain and develop excellent relationships with their customers, the three GB Administrations in Scotland, Wales and Northern Ireland, and the new Animal Health and Welfare Board for England when it is established	MET
TARGET	Design & implement a Customer Insight programme Customer Insight programme developed ready for roll out in 2012/13	MET
Tuberculosis		
TARGET	<p>Pull together joint capabilities to support delivery of TB eradication programme for England & Wales; and risk based testing approach for Scotland</p> <p>England & Wales</p> <ul style="list-style-type: none"> • AHVLA total cost of TB control • Cattle herds officially TB free <p>Scotland</p> <ul style="list-style-type: none"> • AHVLA spend on confirmed disease • AHVLA spend on routine surveillance (routine herd tests & whole herd tests with Irish content – regular scheduled testing) • AHVLA spend on dealing with officially TB freedom suspended breakdowns • AHVLA spend on reactive work – tracings, post-import testing 	MET

AHVLA Performance Standards 2011-12

In agreement with policy customers, AHVLA was subject to a total of 76 Performance Standards for our field work that would demonstrate progress against key work activities.

Of the agreed performance standards, 48 were measured against a Red, Amber or Green (RAG) threshold. The end of year position reflects that 32 performance standards measured Green (Met in Full) and that one required no action on the Agency's part.

Of the remaining 15, achievement was measured at either Amber (Partially Met) or Red (Not Met):

- Six performance standards (five Amber, one Red) were within 1% or less of achieving the Green RAG threshold;
- Three performance Standards (two Amber, one Red) can be viewed as having been met in full by the Agency, either because there was agreement by the policy customer to forego the target deadline due to specific case circumstances or, because meeting the target was dependant on action by parties outside of the Agency which did not occur;
- The low volumes associated with one of the Red measures meant that any missed deadlines severely impacted on ability to achieve a Green threshold;
- Courier and equipment failure contributed to one of the Red measures (tolerance level exceeded by 2%); improvements are being implemented;
- Four performance standards (one Amber, three Red) related to TB disease control; the Agency is confident that there has been no adverse impact on TB disease control in GB as a result of these missed thresholds.

In agreement with policy customers, AHVLA was subject to the following performance standards for research and laboratory surveillance.

TARGET CATEGORY - RESEARCH

Milestones

Total Due in Current Financial Year	Total Due at end of Financial Year	Total Met at Report Date	Percentage Completed at Report Date
295	295	290	98%

The five late milestones were due on 31 March 2012 and relate to TSE project code SE2014. This project has run into a scientific problem, which has been notified to Defra FFG. The project will be discussed with policy customers to revise the milestones.

Annual reports

Due in Financial Year	Due in Period	Submitted for Period	Percentage Achieved	Percentage Achieved On time
47	47	47	100%	100%

Final reports

Due in Financial Year	Due in Period	Submitted for Period	Percentage Achieved	Percentage Achieved On time
27	27	27	100%	100%

TARGET CATEGORY: SURVEILLANCE DELIVERABLES

Total Due in Current Financial Year	Total Due at end of Financial Year	Total Met at Report Date	Percentage Completed at Report Date
250	250	249	99.6%

One surveillance deliverable was not delivered (to establish an ELISA for West Nile virus by the year end 2011-12 due to reprioritisation as a consequence of the Schmallenberg outbreak. It has been deferred to 2012-13.

6. THE REMUNERATION REPORT



The directors who served on the AHVLA Board during 2011-12 were:

Members of the AHVLA Board at 31 March 2012	
Catherine Brown	Chief Executive
Nina Purcell	Chief Operating Officer
Richard Bowen	Human Resources Director
Julie Pierce	Chief Information Officer and Director of Corporate Services
Professor Glyn Hewinson	Chief Scientist from 22 June 2011
Joan Skerry	Director of Change from 6 June 2011
Simon Hall	Veterinary Director from 20 June 2011
Rupert Hine	Director of Advice Services from 16 May 2011
Tony Foster	Non-Executive Director
John Preston	Non-Executive Director
The following were members of the AHVLA Board for part of 2011-12	
Rob Paul	Joint Chief Operating Officer to 30 June 2011 with Nina Purcell
Nick Coulson	Director of Veterinary and Technical Services to 31 May 2011
Chris Morrey	Finance Director to 17 October 2011
Audit Committee Non-Executive Directors	
Tony Foster	Committee Chairman
Jim Oatridge	
Robin Pritchard	

No member of the AHVLA Board holds company directorships, nor has other significant interest that may conflict with their management responsibilities in AHVLA.

Remuneration Policy

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

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

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

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

Service Contracts

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

With the exception of Julie Pierce, Tony Foster and John Preston, the AHVLA Board members at 31 March 2012 hold open-ended appointments until they reach normal retirement age. The employment of the Chief Executive and of the other AHVLA Board members may be terminated in accordance with normal Civil Service procedures. Early termination, other than for misconduct, would result in compensation being payable as set out in the Civil Service Compensation Scheme.

Julie Pierce is employed under a Fixed Term Appointment, which has been extended to 31 August 2013.

Professor Glyn Hewinson was appointed as Chief Scientist from 22 June 2011.

Joan Skerry was appointed as Director of Change from 6 June 2011.

Simon Hall was appointed as Veterinary Director from 20 June 2011.

Chris Morrey left as Finance Director on 17 October 2011 on a 12 month secondment to Natural England.

Both Rob Paul and Nick Coulson decided to leave AHVLA as part of the cross Government Approved Early Retirement Scheme. Rob Paul left on 30 June 2011, whilst Nick Coulson left on 31 May 2011. The amounts payable to them on their agreed departure are excluded from the table below, though details are included in the footnotes.

Tony Foster and John Preston continued in their role as Non-Executive Directors for the AHVLA Board.

Both Jim Oatridge and Robin Pritchard both continued in their role as Non-Executive Directors for the Audit Committee.

Emoluments and Pension Entitlements (Audited)

The emoluments and pension entitlements of the AHVLA Board members in 2011-12 were as follows (2010-11 in italics):

	Emoluments Banding	Bonus Banding	Real increase in pension and lump sum at age 60	Total accrued pension benefits at age 60 at 31 March 2012	CETV at 31 March 2011	CETV at 31 March 2012	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Directors on the AHVLA Board at 31 March 2012							
Catherine Brown Chief Executive	130-135 <i>(130-135)</i>	10-15 <i>(10-15)</i>	5	19	96	136	28
Nina Purcell Chief Operating Officer	65-70 <i>(30-35; full year equivalent 60-65)</i>	0-5 <i>(0)</i>	5	109	450	487	(1)
Richard Bowen HR Director	80-85 <i>(80-85)</i>	0 <i>(0)</i>	1	13	181	215	17
Julie Pierce Chief Information Officer and Director of Corporate Services	140-145 <i>(130-135)</i>	10-15 <i>(0)</i>	12	17	47	158	31
Professor Glyn Hewinson Chief Scientist from 22 June 2011	50-55 (full year equivalent 65-70) <i>(0)</i>	0 <i>(0)</i>	5	82	329	364	22
Joan Skerry Director for Change from 6 June 2011	50-55 (full year equivalent 60-65) <i>(0)</i>	0 <i>(0)</i>	6	103	470	539	33
Simon Hall Veterinary Director from 20 June 2011	55-60 (full year equivalent 70-75) <i>(0)</i>	0 <i>(0)</i>	(1)	82	350	374	(6)
Rupert Hine Director for Scotland to 15 May 2011, Director for Advice Services from 16 May 2011	70-75 (full year equivalent 75-80) <i>(70-75)</i>	0 <i>(5-10)</i>	2	46	127	145	7
Tony Foster Non-Executive Director	5-10 <i>(0)</i>	0 <i>(0)</i>	N/A	N/A	N/A	N/A	N/A
John Preston Non-Executive Director	5-10 <i>(0-5)</i>	0 <i>(0)</i>	N/A	N/A	N/A	N/A	N/A

	Emoluments Banding	Bonus Banding	Real increase in pension and lump sum at age 60	Total accrued pension benefits at age 60 at 31 March 2012	CETV at 31 March 2011	CETV at 31 March 2012	Real increase in CETV
Directors on the AHVLA Board during 2011-12							
Rob Paul Chief Operating Officer to 30 June 2011	20-25 (full year equivalent 80-85)¹ <i>(80-85)¹</i>	0 (5-10)	0	39	586	597	2
Nick Coulson Director of Veterinary and Technical Services to 31 May 2011	10-15 (full year equivalent 80-85)¹ <i>(80-85)¹</i>	10-15 (5-10)	1	45	717	743	21
Chris Morray Finance Director to 17 October 2011	40-45 (full year equivalent 75-80) <i>(75-80)</i>	0 (5-10)	4	60	292	340	17
Audit Committee							
Tony Foster Non-Executive Director Chair of the Audit Committee	5-10 <i>(0-5)</i>	0 (0)	N/A	N/A	N/A	N/A	N/A
Band of Highest Paid Director's Total Remuneration (£'000)				150-155 <i>(140-145)</i>			
Median Total Remuneration				27,203 <i>(27,087)</i>			
Ratio				5.6 <i>(5.3)</i>			

¹ Both Rob Paul and Nick Coulson left the Agency, on 30 June 2011 and 31 May 2011 respectively, as part of the cross Government Approved Early Retirement Scheme. The figures in the above table exclude the agreed exit costs to be paid to them on their departure, even though these were accrued by Core Defra in the Departmental accounts to 31 March 2011. These figures amount to approximately £335,000 and £262,000, respectively. Inclusion of severance payments to calculate the highest paid earner for 2010-11 would increase the band of the highest paid director to £420,000 - £425,000. The ratio between this and the median remuneration would be 15.6.

Emoluments include gross salary and other allowances to the extent that they are subject to United Kingdom taxation.

Due to a pensions revaluation by the Cabinet Office during the year, the Cash Equivalent Transfer Value (CETV) as at 31 March 2011 shown in the above table differs from that included within the Remuneration Report for 2010-11 to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The following table provides details of individuals who were Board members of the pre merger individual agencies during 2010-11, but who have not been Board members during 2011-12 and are not shown as comparatives within the above table. Instead, the figures for 2010-11 for these individuals are reflected in the following table for comparative disclosure purposes only.

	Emoluments Banding	Bonus Banding	Real increase in pension and lump sum at age 60	Total accrued pension benefits at age 60 at 31 March 2011	CETV at 31 March 2010	CETV at 31 March 2011	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Directors on the on the former Veterinary Laboratories Agency Management Board during 2010-11							
Prof S. Peter Borriello Chief Executive to 31 March 2011 (no longer an AHVLA member of staff)	115-120	10-15	3	7	53	96	34
Roger Hancock Veterinary Director from 28 September 2010 to 31 March 2011 (no longer an AHVLA member of staff)	35-40 (full year equivalent 75-80)	0	1	105	492	538	3
Chris Thorns Scienc Director to 31 March 2011 (no longer an AHVLA member of staff)	70-75	5-10	(1)	150	824	883	(6)
Andrew Solden Acting Veterinary Director until 27 September 2010, and then Commercial Director until 31 March 2011 (still an AHVLA member of staff though not an AHVLA Board member)	60-65	0-5	4	42	133	160	14
Directors on the on the former Animal Health Board during 2010-11							
Mike Steel Director for Wales (still an AHVLA member of staff though not an AHVLA Board member)	65-70	0	1	1	2	21	19
Andy Foxcroft Director for England to 27 September 2010	65-70	0	1	5	41	56	14
Jeff Cant Finance Director to 14 May 2010	20-25 ¹	0	N/A	N/A	N/A	N/A	N/A

¹ In the period to 14 May 2010 Jeff Cant was employed on a temporary basis through a recruitment agency. The amount disclosed above represents the amount paid by Animal Health to the recruitment agency and includes VAT. The total amount paid was £22,078.

Although the costs for the Chief Executive and members of the AHVLA Board are included in AHVLA's Statement of Accounts, they are formally employed by Defra, AHVLA's parent Department.

Under arrangements made by Defra, Richard Bowen received £3,920 Additional Housing Cost Allowance in 2011-12 which is included in his emoluments reported above (2010-11 £4,889). He also received an advance on salary of £12,500 from Defra on his appointment in 2005-06 which is repayable from January 2010 over eight years. The balance outstanding on this loan as at 31 March 2012 stood at £9,375 (31 March 2011 £9,375). The benefit from this loan for 2011-12 has been estimated at £200 (2010-11 £200).

Under the terms of her employment, Julie Pierce received £15,582 in Detached Duty in lieu of a house move for the duration of the contract. This amount is included within her emoluments reported above (2010-11 £18,173), along with an amount of £10,975 in respect of paid untaken leave (2010-11 £nil).

Under the terms of his employment, Rupert Hine received £9,257 in Detached Duty in lieu of a house move. This amount is included within his emoluments reported above (2010-11 £nil).

Loans may be made to staff to cover season ticket advances and relocation. As at 31 March 2012 there were no such outstanding loans to AHVLA Board members (2010-11 £nil).

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

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

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



Catherine Brown
Chief Executive

6 July 2012

7. FINANCIAL REVIEW



AHVLA's Statement of Accounts reports the results for the year 1 April 2011 to 31 March 2012. It is prepared on an accruals basis in accordance with Section 7(2) of the Government Resources and Accounts Act 2000, the Accounts Direction issued by HM Treasury and the Government Financial Reporting Manual (FReM), published by HM Treasury. The accounting policies contained within the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context.

The Statement of Accounts for the year ended 31 March 2012 is set out in Section 8. AHVLA follows Defra's accounting policies where appropriate to AHVLA's own activities, to simplify the preparation of Defra's Consolidated Account.

Comparability of Year on Year Results

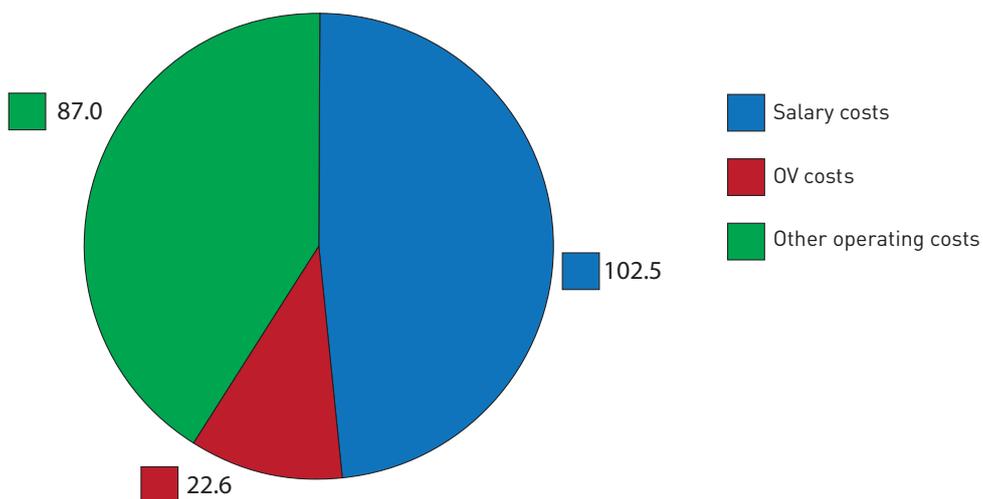
As one of the first outcomes of a review of Defra delivery bodies, the Secretary of State announced on 29 June 2010 that Animal Health would merge with the Veterinary Laboratories Agency, with the effective date being 1 April 2011, and saw the existing functions of the two bodies continue in the merged entity. At the same time Defra's Advice Services Team was also merged with the organisation.

As a direct result of the UK Government's Spending Review the funding available to AHVLA will decrease between 2012 and 2015. The Agency is faced with both the reduction in funding and a different environment in which to work. The financial year 2011-12 saw the forming of AHVLA as a Net Running Cost Agency, along with the devolution of a significant proportion of the budget to GB customers, thereby changing the way these customers behave and the services they wish to pay for.

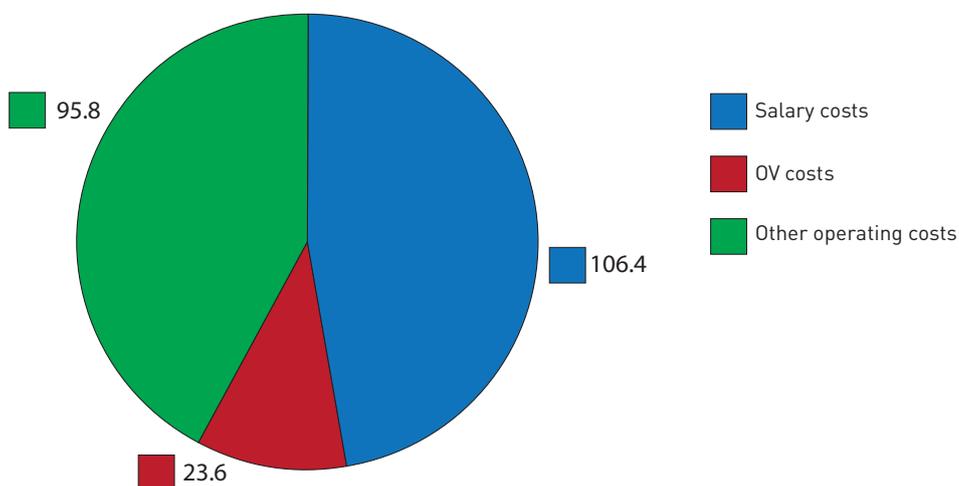
In accordance with *IFRS 3 Business Combinations*, and iFRM 4.2.15, the 2011-12 Statement of Accounts restates the 2010-11 figures to include the comparative costs of all the merged bodies that came together on 1 April 2011, and also to reflect the changes to net running cost status and the devolution of budgets.

Results for the year

**AHVLA 2011/12
Gross Costs (£m)**



**AHVLA 2010/11
Gross Costs (£m)**



Within the overall expenditure for the year, AHVLA's Total Costs in 2011-12 of £212.1m were £13.7m less than in 2010-11, reflecting SR10 reductions in budgets from those previously received.

AHVLA's Total Costs are predominantly people related, with employment costs constituting £102.5m (48.3%) of 2011-12 gross expenditure and Official Veterinarian costs constituting £22.6m (10.6%) of gross spend. Other operating costs of £87.0m (41.1%) include expenditure for all other operating costs paid in cash, including further development work on the Business Reform Programme, hard charges from Defra for corporate services, and notional and non-cash costs.

Supplier Payments

In paying creditors, AHVLA aims to follow the principles of the Better Payment Practice Code in compliance with the Public Sector Payment Policy, and continues to adhere to the Government's initiative to pay suppliers within an agreed reduced number of working days of submitting a properly presented and non-disputed invoice. The current agreed number of working days stands at five.

	£'000	Number
Total invoices paid in year	61,010	31,886
Total invoices paid within reduced payment target Percentage of invoices paid within target	44,355 72.7%	22,808 71.5%
Total invoices paid within contractual terms Percentage of invoices paid to contract	58,947 96.6%	31,324 98.2%

No interest was paid in respect of the Late Payment of Commercial Debts (Interest) Act 1998 (2010-11 £nil).

Accounts Summary

No charitable donations were made during the year ended 31 March 2012.

AHVLA's Statement of Financial Position shows that the main assets of the Agency are Non Current Assets. Property, Plant and Equipment asset values are dominated by the value of the specialised land and buildings occupied by the former VLA. These mainly comprise specialist laboratories, and it is due to the specialised nature of these that they are included on the Agency's Statement of Financial Position. This is different treatment to those locations occupied by the former Animal Health and Defra's Advice Services Team, which are mainly office based accommodation and are retained on the Statement of Financial Position of Defra. These are included within the notes to the accounts, as they are covered by the requirements of *IFRIC 4*.

Intangible Non Current Assets are almost entirely comprised of internally-generated software, the total of which is expected to increase further as more modules of the Business Reform Programme are constructed and implemented.

AHVLA's IT infrastructure and IT hardware are mainly provided by Defra through IBM, with whom Defra has entered into a strategic partnership. Similarly, with the exception of property in Scotland where the Scottish Government provides the Agency with accommodation, all accommodation used by Animal Health is either owned by, or leased through, Defra.

As a result of the introduction of International Financial Reporting Standards during the 2009-10 financial year, the way in which these relationships are disclosed in the accounts of Animal Health has changed considerably. Included within Tangible Fixed Assets is the value of the 'right of use' for the IT assets utilised by AHVLA, but that are owned by Defra, as required under *IFRIC12 Service Concession Arrangements*. This has been offset by an equal and opposite lease liability to reflect the substance of the transaction. Similarly, *IFRIC4 Determining whether an Arrangement contains a Lease* has led to additional disclosure within the operating lease section of the Statement of Accounts to reflect AHVLA's occupation and utilisation of properties not owned by the Agency, but by or through Defra. The movements on these are reflected within the Statements of Account for the year ended 31 March 2012.

Risk Management

Risks are assessed by each cost centre and major project, and the AHVLA Board considers these and assesses corporate risks. The Audit Committee has reviewed the adequacy of the Agency's risk management processes during the year.

Internal and External Audit

For the year ended 31 March 2012, AHVLA's planned programme of internal audit work was completed and has helped inform the Governance Statement. The Agency's Framework Document, reflecting the Government Resources and Accounts Act 2000, lays down that external audit is to be provided by the Comptroller and Auditor General.

Both Internal and External Audit regularly attend the Audit Committee's meetings.

As Accounting Officer, I have taken all reasonable steps to make myself aware of information relevant to the external audit and to establish that our auditor are aware of that information. As far as both I and members of the AHVLA Board are aware, there is no relevant audit information that has not been brought to the auditor's attention.



Catherine Brown
Chief Executive

6 July 2012

8. PLANS AND PRIORITIES



Looking ahead to 2012-13 we will still face a number of challenges. In our first year of operation we laid much of the groundwork for the merger and in the second year we will really start to realise the many benefits of bringing the three organisations together.

We will continue to make savings so that we can continue to operate within our Government Spending Review settlement. We will, of course, aim to do this while still delivering the same or an improved service, so that we can deliver improved value for money to our customers. At the same time we will enhance our underlying systems to avoid the limitation in scope qualification that has arisen in 2011-12.

We will continue to work toward a single organisation and in particular we will look at pay harmonisation, completing the introduction of a single set of people policies, rolling out a new staff appraisal system and embarking on an organisational development programme underpinned by a series of core values for the Agency, and the further enhancement of the systems that produce our financial figures.

A key piece of work will be to continue onboarding our HR and Finance functions to Defra Shared Services Directorate (SSD). Former VLA's General and Sales Ledgers were successfully transferred to SSD on 1 April, with the first invoices being produced from the Oracle system week commencing 14 May. The transition of the Purchase Ledger is planned for 1 July as are the transactional elements of HR (including payroll processing).

We will also continue to deliver our wide range of services to our policy and other customers. To support this we look forward to taking forward the work already in train on laboratory services rationalisation and the design and implementation of the new model for improving our surveillance work. Our science will also be further enriched by our new science strategy, which will be published early in 2012.

Further details on our priorities for 2012-13 are set out in the AHVLA Corporate and Business Plan.

9. STATEMENT OF ACCOUNTS



Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed AHVLA 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 AHVLA and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

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

Governance Statement

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of AHVLA's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

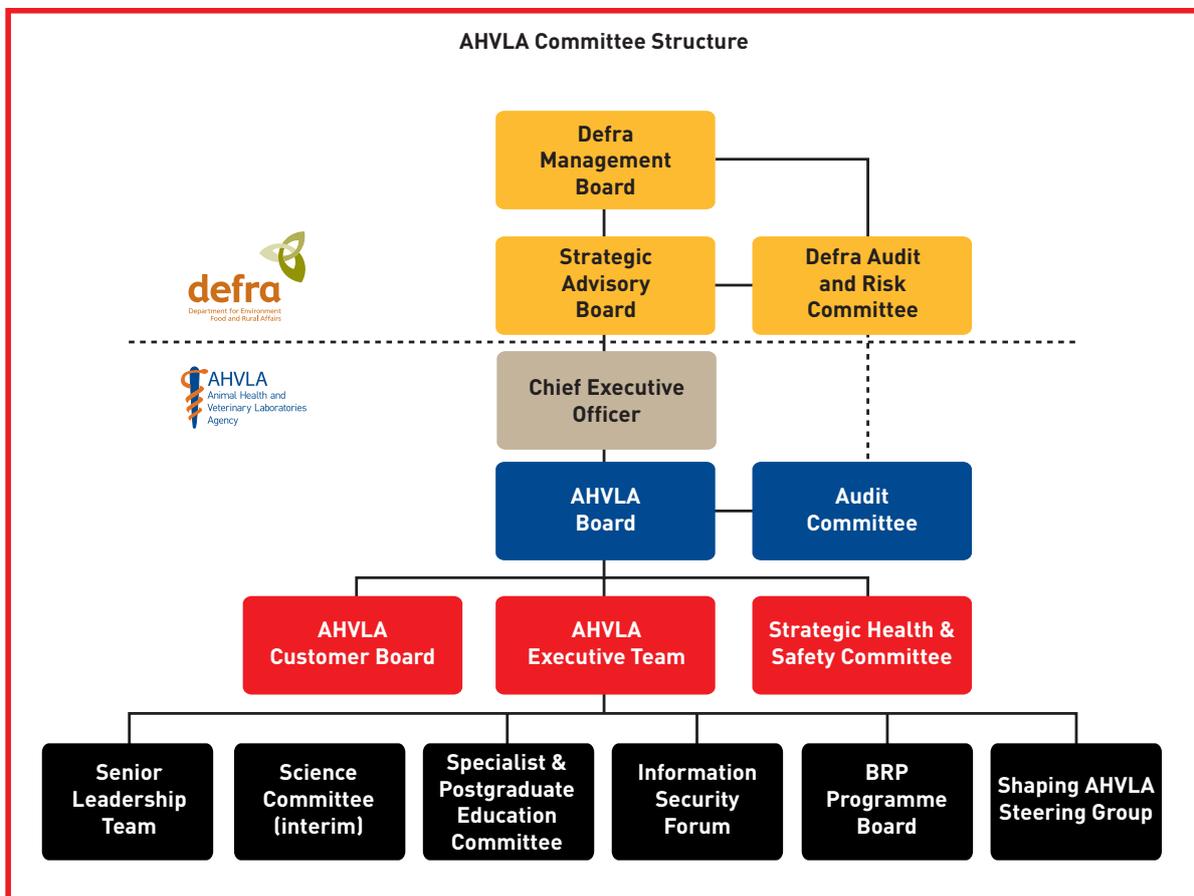
Accounting Officers for Defra's agencies and sponsored public bodies are responsible for the operation of a system of internal control and are required to prepare a Governance Statement in their annual accounts. I am directly accountable to Ministers for the operation of the Agency within the policy framework set by the Minister, and to the Permanent Secretary for Defra, the Department's Principal Accounting Officer, for the financial management of AHVLA.

AHVLA Introduction

AHVLA was formed on 1 April 2011 following the merger of Animal Health, the Veterinary Laboratories Agency and elements of Defra's Food and Farming Group. This has brought numerous challenges as each element of the new Agency has brought with it different processes and procedures, two different accounting systems which need consolidation and, to a certain extent, differing cultures. Overcoming these challenges and driving the merged Agency forward in a rapidly changing and challenging environment has been the main issue facing management during 2011-12. This environment, in which resources are scarcer and disease challenges as demanding as ever, and the organisation is in a phase of rapid change, requires particular attention to the control and governance framework.

Governance Arrangements

The diagram below shows the governance structure of AHVLA, both internally within the Agency and externally through the Strategic Advisory Board and Defra Audit and Risk Committee directly into the Department.



The focus on this year has been the implementation of a robust governance structure following on from the merger of Animal Health and the Veterinary Laboratories Agency, to form AHVLA from 1 April 2011. The recruitment of key personnel to the committees and boards has also been of vital importance to ensure the Agency starts on a solid foundation, and this has been achieved during the year.

Defra remains the supervisory and sponsor body of the Agency. As part of this arrangement Defra historically delegates an agreed amount of budget to the Agency. From 1 April 2011, AHVLA as a whole is a Net Running Cost Agency, and a proportion of the overall GB budget previously provided by Defra has been devolved to the Scottish Government and the Welsh Government. Prior to the merger on 1 April 2011 Animal Health was a Gross Running Cost Agency – and therefore received funding direct from Defra – whilst the Veterinary Laboratories Agency was a Net Running Cost Agency. The move to overall Net Running Cost Agency status as part of the merger has seen a move from a centrally funded and drawn down budget to cover the running costs of the Agency to an invoicing system, based on deliverables through agreed Service Level Agreements. These Service Level Agreements are with Defra, Scottish Government and the Welsh Government.

The AHVLA Board is responsible for setting the strategic direction of the Agency. It focuses itself on change and assuring itself that the processes for governance and management control are working across the organisation. Meeting quarterly, operational matters are only considered on an exceptional basis, and the Board ensures the Agency achieves ministerial and key targets and also manages corporate risk levels. It assists both my decision making and also the management of the interfaces with the Scottish Government and Welsh Government. Membership is made of the senior directors within the Agency, who also form my Executive Team, along with two Non Executive Directors who provide independence and challenge. Standing agenda items include strategic direction, performance and finance, business risk and health and safety.

Through direct reporting to the Department I ensure the Department is fully aware of the risks myself and my Executive Team manage throughout the year. Additionally, I conform to guidance issued by HM Treasury, Cabinet Office and effect any recommendations of the Public Accounts Committee

and other Parliamentary select committees.

The Audit Committee of the Agency is pivotal in providing an independent assessment of the work and performance of the organisation. Chaired by a Non Executive Director, who also sits on the Strategic Advisory Board, this meets regularly during the year to review and consider financial matters, both internal and external audit, operational, risk registers, health and safety and any other relevant matters that need to be brought to their attention. The Committee performs a self assessment exercise early in the financial year to ensure it is still meeting its objectives, and a report is produced by the Chair after each financial year end to summarise the work of the Audit Committee during that year.

All committees and boards are required to keep full attendance records and minutes for each meeting, which are disclosed as required and protected as necessary. Terms of reference for each committee and board are regularly reviewed.

The Agency is in full compliance with the good practice requirements of the Code of Corporate Governance, in so far as they are applicable to the Agency.

Effectiveness of Board Performance

Following the merger on 1 April 2011 the implementation of the current AHVLA governance structure meant that the Terms of Reference and membership of all committees and boards were reviewed at that time and, as the organisation has subsequently changed, there has been an almost constant self review of this structure.

The AHVLA Board receives regular reports from all committees that feed into it, where this is considered appropriate and necessary.

All AHVLA Board meetings are purposely held off site to enable the members to fully focus on the strategic issues.

Risk Profile

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

The system of internal control exists to:-

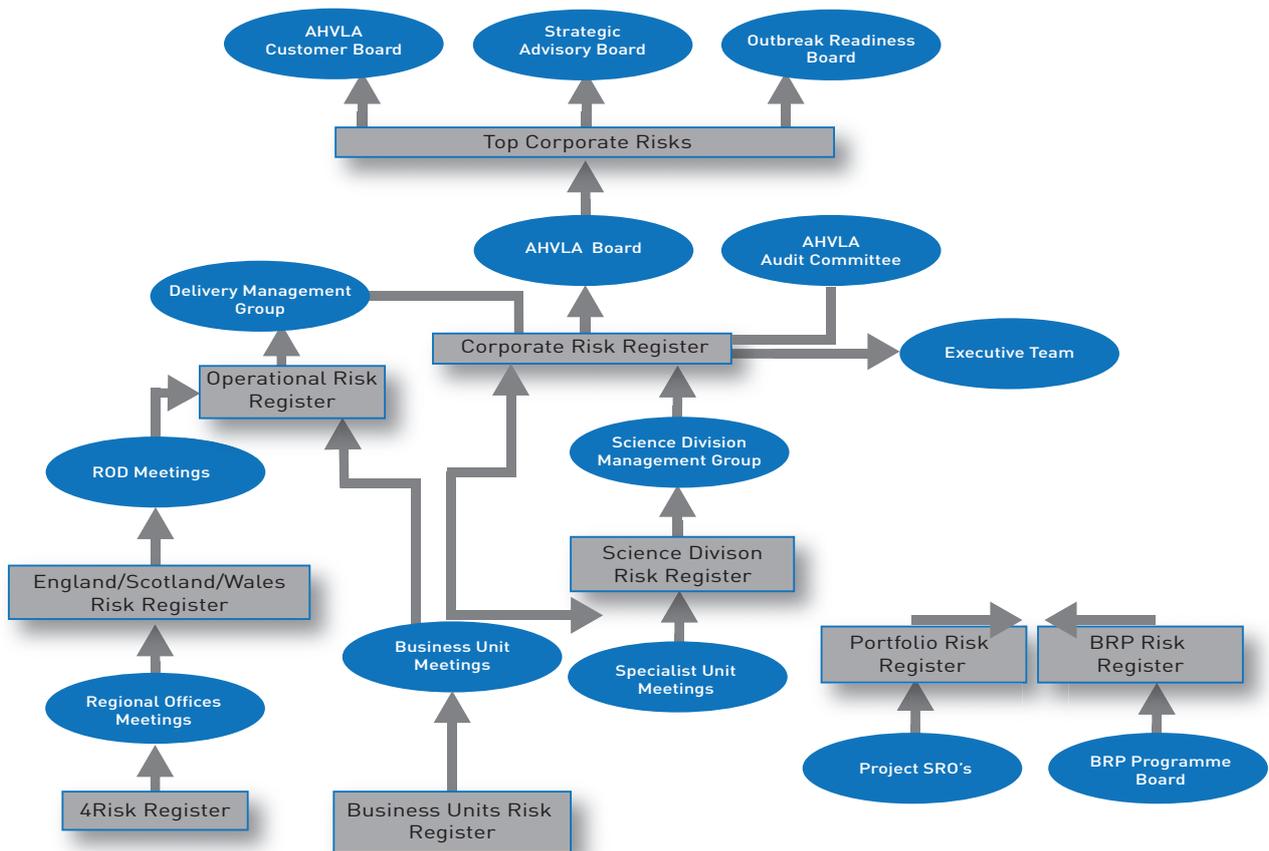
- Identify and prioritise the risks to the achievement of AHVLA’s objectives and goals
- Evaluate the likelihood of those risks being realised, and their impact should realisation occur
- Manage and mitigate those risks efficiently, effectively and economically.

Organisational and corporate risks that could potentially affect the Agency’s ability to deliver its remit are assessed by the AHVLA Board, which is also responsible for the overall management of the Agency’s risk exposure. Strategic risks associated with business change, changes in the animal health

and welfare delivery landscape, the delivery of strategic IT and back office functions, dependencies on partners to enable the Agency to deliver its objectives and goals are assessed by the Executive Team, who in turn report to the AHVLA Board, which carries out further review and analysis of risks at the strategic level. Operational delivery risks are assessed by the relevant board or committee, who report to the Executive Team, who then in turn escalate any significant residual risks to the AHVLA Board. The summary high level risk report is considered quarterly at the Strategic Advisory Board.

The internal flow of risk registers is shown in the diagram below:

AHVLA Risk Register Flow Chart



In addition to these are risk registers associated with key areas of work, including Health and Safety, the Information Security Forum and the BRP.

Work will be undertaken to qualify this risk and to reinforce the importance of animal health work to delivery partners.

Significant risks in the environment relate to the impact of spending cuts on operational partners and their ability to react in an outbreak of exotic disease.

Organisational (internal) risks that have attracted particular focus in 2011-12 relate to safety, BRP and the level of change being undertaken as a result

of the merger, on boarding to Shared Services and the move to Net Running Cost Agency status. Risks relating to change and BRP have been managed through project and programme management disciplines and a reinforcement of the change management team.

A major programme of work to reduce safety risks has been undertaken and is ongoing. This includes new job descriptions and training for senior management to ensure they understand their responsibilities, targeted training for key groups of staff, a new governance structure led by the Chief Executive, improvements to Board reporting, investment in the H&S team; and involvement in best practice groups of laboratory organisations.

Risk management is recognised within AHVLA as an essential component of internal control. The process in use within the Agency aids understanding and promotes consistency in the ways risks are managed across the organisation. The aim is to facilitate a standard approach to the management of risk through Identifying, Assessing, Addressing, Reviewing and Reporting.

- Identify – the risk originator must describe the components of the risk in unambiguous terms and provide data to help evaluate the likelihood of the risk occurring and the impact to AHVLA if the risk occurs
- Assess the risk co-ordinator must consider the evaluated risk and how it should be treated. This is done using the Terminate, Reduce, Accept or Pass-on (TRAP) method as outlined in the AHVLA Risk Template and instructions available to all staff. The risk co-ordinator must make a recommendation of what further action is required by the risk owner and, if necessary, the risk must be added to the appropriate risk register
- Address – the risk owner must ensure the appropriate action is taken, or escalate the risk by following the specified escalation route
- Review and Report – the risk co-ordinator must ensure that the risk register is regularly updated so that it can be reviewed on a monthly basis.

All risks have an owner and co-ordinator. The owner is accountable for the management of those risks and the co-ordinator is the point of contact and reports to the owner. The risk co-ordinator also assesses the information and enters the risk on the

relevant risk register.

Each business unit maintains its own risk register, which must be reviewed and updated on a monthly basis. As part of the quarterly Stewardship Report, business unit managers confirm that this review – and any updates required to be acted as a result of the review – have been undertaken.

Internal Control Framework

The system of internal control within AHVLA is designed to provide assurances to myself, as Accounting Officer, and the AHVLA Board that levels of risk are managed to a suitable standard and that through efficient, effective and economic processes, all major risks are mitigated to the best of AHVLA's ability.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve objectives and goals; it can, therefore, only provide reasonable and not absolute assurance of overall effectiveness.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of internal audit and the executive managers within AHVLA who have responsibility for the development and maintenance of the internal control framework, and comments made by external audit in their management letters and other reports. Both the AHVLA Board and Audit Committee advise on the implications for my review, and a plan to address weakness and ensure continuous improvements is in place.

My review is also informed by-

- The framework established for AHVLA's accountability with Defra, the Scottish Government and the Welsh Government
- Quarterly reporting to the Strategic Advisory Board, which oversees AHVLA on behalf of the Secretary of State for the Environment, Food and Rural Affairs, Defra's Accounting Officer, the Scottish Government, the Welsh Government, and by regular meetings with Defra, the Scottish Government and the Welsh Government
- Meetings of the AHVLA Board and the Executive Team to review the strategic direction and risks of the Agency, and performance against Agency

objectives and goals, and a regular review of financial figures compared with budget

- The work of the Agency's managers and staff who have responsibility for developing, supporting and operating within the internal control framework
- Risk management arrangements under which key risks that could affect the achievement of AHVLA's objectives and goals are actively managed
- Stewardship reporting, through which business units report on risk and compliance with the internal control framework
- Assurances provided by Defra's Shared Services Directorate on the accuracy, completeness and security of the data the directorate transacts on behalf of the former Animal Health element of AHVLA
- The retention of ISO9001 certification across the whole range of former Veterinary Laboratories Agency element of AHVLA, which provides further assurance on the operation of business processes, along with other quality systems in use across AHVLA
- The work of the Audit Committee which reviews the effectiveness of the system of internal control and assurance processes, and has the authority to challenge and escalate where potential risks are identified
- Information Asset Owners, who ensure AHVLA complies with Government data security requirements
- Reviews by the OGC on projects being undertaken during the year
- The results of the work of external audit – both the National Audit Office, and its outsourced partner firm Moore Stephens, both of whom were engaged fully by AHVLA during 2011-12
- Reports produced throughout the year by internal audit, prepared by RSM Tenon in accordance with the Government Internal Audit Standards, which includes their overall independent opinion on the adequacy and effectiveness of the Agency's internal controls together with recommendations for improvement where necessary. They also

produce an annual assurance statement concerning the overall control framework, confirming that internal audit assurance has been obtained through their review. During 2011-12 their work focussed on these areas, with work being produced on each of the following areas:-

- ◆ Change Management – smaller projects
- ◆ Governance Arrangements
- ◆ Interserve Contract
- ◆ Risk Management
- ◆ Regional Offices (including OV Expenditure)
- ◆ Government Procurement Cards
- ◆ Key Finance Processes (two part)
- ◆ Business Continuity Planning
- ◆ Health and Safety
- ◆ Health and Safety Management Information
- ◆ Shared Services
- ◆ Follow up on 2010-11 work

Financial Management and Control

Financial management and control has been reviewed by the AHVLA Board through regular financial reports, by Stewardship Reports provided to me by budget holders on a quarterly basis, and by the assurance provided by both internal and external audit.

AHVLA currently uses two financial operating systems, underpinned in many areas by different processes and procedures. The former Animal Health and advice service teams use Defra Shared Services Directorate, whilst the former Veterinary Laboratories Agency use an in-house accounting and transactional function. It is the intention that from 1 July 2012 the whole of AHVLA will utilise the Defra Shared Services Directorate.

Performance Management

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

Information Risk Management

Information risk has been further controlled during the year by making all staff explicitly aware of their responsibilities regarding the information of the Agency, and through the repeated provision of Cabinet Office on-line training – Protecting Information Level 1 has been completed to a satisfactory standard by all staff, with further advanced levels of training being completed by other more senior staff, as required. This training formed part of a continuing ‘cultural awareness programme’ for all AHVLA staff and management. This included presentations across the Agency’s offices, an intranet update and increased communications. The Information Asset Owner provided quarterly reports to the Defra Senior Information Risk Owner, which are reviewed as to the effectiveness of controls and identifies if incidents have taken place. AHVLA reported no personal related incidents to the Information Commissioner’s Office in 2011-12 and there were no other data related incidents deemed to be significant or critical.

Significant Issues

The 2011-12 financial audit has resulted in a qualified audit report being presented by the Comptroller and Auditor General on the grounds of limitation in audit scope. Audit testing identified for a number of different reasons that the detailed records in place at the point of income generation could not support income in the accounts of £17.57m.

During early 2012-13 the Agency will be working to ensure that this is not replicated during the current financial year, by ensuring adequate systems and processes are in place to provide the full audit trail for all figures within the financial statements.

The merged AHVLA will continue to develop its system of internal control and risk management through continual improvement, responding to evolving best practices and changes in the business

environment to ensure that the governance and organisation structure continues to meet any anticipated changes in the environment in which the Agency operates.

No further significant issues have arisen during 2011-12 that require additional disclosure.



Catherine Brown
Chief Executive Officer

6 July 2012

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

I certify that I have audited the financial statements of the Animal Health and Veterinary Laboratories Agency for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Animal Health and Veterinary Laboratories Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Animal Health and Veterinary Laboratories Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any

apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Basis for qualified opinion on financial statements

The audit evidence available to me was limited because the Animal Health and Veterinary Laboratories Agency has recognised income of £17.57m for which it could not provide evidence that it had been appropriately charged to the Agency's customers. Furthermore it was unable to provide evidence which confirmed that all income due to it has been recognised.

Further details on the reasons for my qualified opinion can be found in my report on pages 53 to 54.

Qualified opinion on financial statements

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph:

- the financial statements give a true and fair view of the state of Animal Health and Veterinary Laboratories Agency's affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect solely of the limitation of scope on my work relating to income, described above:

- I have not obtained all the information and explanations necessary for the purpose of my audit; and
- Proper accounting records have not been maintained.

I have nothing further to report in respect of the following matters which I report to you if, in my opinion:

- returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General

Date: 12 July 2012

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

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

Introduction

1. The Animal Health and Veterinary Laboratories Agency (the Agency) is an executive agency of the Department for Environment, Food and Rural Affairs (Defra) and was established on 1 April 2011, as a merger of Animal Health and the Veterinary Laboratories Agency (VLA). Defra's Advice Services Team also transferred to the new Agency at the same time. The role of the Agency is to help safeguard animal health and welfare as well as public health, protect the economy and enhance food security through research, surveillance and inspection.

Purpose of Report

2. The financial statements on the following pages represent the results of the Agency for the period from 1 April 2011 to 31 March 2012. I have qualified my opinion on the financial statements as the Agency was unable to provide me with sufficient evidence to support the Agency's income transaction streams. This report explains the reasons for the qualification.

Limitation of scope in respect of income

3. Note 3 to the financial statements reports income of £215.58 million (2010-11: £230.43 million). The Agency has been unable to provide evidence to fully support income totalling £17.57 million, which relates to animal health income from Defra and the devolved administrations. I have therefore limited the scope of my audit opinion in respect of the accuracy, occurrence and completeness of this income.

Explanation for limitation of scope

4. The accounting records of Animal Health and VLA have been maintained on separate financial systems throughout 2011-12, and were combined to produce the Agency's financial statements for 2011-12. To consolidate the two organisations on an appropriate and consistent basis, common accounting policies were adopted, and these included a change to the accounting policy for the recognition of income for the former Animal Health.

5. As a consequence, Animal Health was required to raise invoices to support the income earned from services to its sponsor department, Defra and the devolved administrations in Wales, Scotland and Northern Ireland. The Agency should have retained sufficient information to support the charges raised and to confirm that they were complete and accurate.

6. Records of the invoices issued by the Agency are held within the Agency's headquarters. The information to support the charges made are held at headquarters and locally by the teams undertaking the work. For two Animal Health related income transaction streams, totalling £17.57 million, the Agency was unable to provide me

with sufficient evidence to support the validity and completeness of the invoices raised. My testing of issued invoices found that, in some cases, the supporting spreadsheets or databases had either not been retained or did not agree to the details on the invoice. The Agency was not able to provide alternative evidence and no other audit procedures were available to me to obtain this assurance. I have therefore limited the scope of my opinion on financial statements in respect of this £17.57 million of income.

Actions to be taken by the Agency

7 The Agency faces a significant challenge to align and harmonise financial systems across Animal Health and VLA. On 1 April 2012, VLA's general and sales ledgers were transferred to Defra's Shared Service Directorate (SSD). During 2012-13 AHVLA will continue to transfer Animal Health Non-Current Asset functions and VLA Human Resources, Non-Current Assets and Finance functions to SSD.

8 In relation to income, the Agency acknowledges that it has been unable to provide sufficient evidence to support the two Animal Health income streams and has begun to put processes in place to ensure that it maintains and retains supporting records for income transactions. Initial steps have been taken to remind staff not to delete transaction information. Where data is stored on spreadsheets and databases a final version must be saved and retained at the point of invoicing. A workshop is planned in the summer of 2012 to review and appraise the transaction related information. The longer term aim is to centralise data and move transaction records onto SAM – the Agency's bespoke IT system for recording Animal Health activity. The AHVLA finance team is also planning to perform a review of transactions for the first quarter of 2012-13 to ensure that sufficient records exist to support amounts invoiced.

9 All government entities have a duty to maintain and retain records to support financial transactions. It is vital that AHVLA remedies the weaknesses in its financial systems following the merger, to ensure adequate records are in place and avoid future qualification.

Amyas C E Morse
Comptroller and Auditor General

Date: 12 July 2012

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

STATEMENT OF COMPREHENSIVE NET EXPENDITURE
For the year ended 31 March 2012

ADMINISTRATION COSTS	Note	2011-12 £'000	2010-2011 Restated £'000
Staff Costs	4	102,470	106,372
Other Administrative Costs			
Official Veterinarian Costs	5	22,638	23,598
Other Operating Costs	5	87,040	95,816
		212,148	225,786
Operating Income	7	(213,504)	(228,822)
EU Income	7	(2,079)	(1,606)
		(215,583)	(230,428)
Net Operating Income		(3,455)	(4,642)
<hr/>			
OTHER COMPREHENSIVE EXPENDITURE	Note	2011-12 £'000	2010-2011 Restated £'000
Net loss / (gain) on revaluation of Property, Plant and Equipment	8	5,031	(13,086)
Net (gain) / loss on revaluation of Intangibles	9	(4,179)	1,802
Total Comprehensive Expenditure for the year ended 31 March 2012		(2,583)	(15,926)

In accordance with FReM 4.2.18 the results of Animal Health and the Veterinary Laboratories Agency have been combined into the financial statements of AHVLA for 2011-12. The results for 2010-11 have been restated and adjusted to achieve uniformity of accounting policies, and include the results of both combining bodies for the previous period, in accordance with *IAS 1 Presentation of Financial Statements*.

The above results are all Administrative spend.

The results for 2010-11 have been restated to reflect the combination of Animal Health, Veterinary Laboratories Agency, Rapid Analysis and Detection of Animal-related Risks system (RADAR) and the Veterinary Scientific Policy and Advice team (VSPA). Further details are included in note 2 to the accounts.

All income and expenditure is derived from continuing operations.

The notes on pages 60 to 88 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2012

	Note	31 March 2012 £'000	31 March 2011 Restated £'000
Non Current Assets			
Property, Plant and Equipment	8	235,911	246,598
Intangible Assets	9	66,730	66,239
Long Term Receivables	12	-	21
Total Non Current Assets		302,641	312,858
Current Assets			
Inventories	11	6,348	5,455
Trade and Other Receivables	12	31,100	3,298
Other Current Assets	12	16,441	5,690
Cash and Cash Equivalents	13	13,420	8,166
Total Current Assets		67,309	22,609
Total Assets		369,950	335,467
Current Liabilities			
Trade and Other Payables	14	(13,493)	(8,788)
Other Liabilities	14	(59,642)	(41,128)
Provisions	16	(1,389)	(821)
Total Current Liabilities		(74,524)	(50,737)
Non Current Assets less Net Current Liabilities		295,426	284,730
Non Current Liabilities			
Lease Obligations	15	(3,996)	(6,989)
Provisions	16	(73)	(405)
		(4,069)	(7,394)
Assets less Liabilities		291,357	277,336
Taxpayers' Equity			
General Fund	17	246,314	228,795
Revaluation Reserve	17	45,043	48,541
Total Taxpayers' Equity		291,357	277,336

The notes on pages 60 to 88 form part of these financial statements.



Catherine Brown
 Chief Executive Officer
 6 July 2012

In accordance with FReM 4.2.18 the results of Animal Health and the Veterinary Laboratories Agency have been combined into the financial statements of AHVLA for 2011-12. The results for 2010-11 have been restated and adjusted to achieve uniformity of accounting policies, and include the results of both combining bodies for the previous period, in accordance with *IAS 1 Presentation of Financial Statements*.

The results for 2010-11 have been restated to reflect the combination of Animal Health, Veterinary Laboratories Agency, Rapid Analysis and Detection of Animal-related Risks system (RADAR) and the Veterinary Scientific Policy and Advice team (VSPA). Further details are included in note 2 to the accounts.

STATEMENT OF CASH FLOWS
For the year ended 31 March 2012

	Note	2011-2012 £'000	2010-11 Restated £'000
Cash flows from operating activities	18	8,813	51,842
Cash flows from investing activities	18	(9,067)	(18,014)
Cash flows from financing activities	18	5,508	(27,254)
Net increase in cash and cash equivalents in the period		5,254	6,574
Cash and cash equivalents at the beginning of the period	13	8,166	1,592
Cash and cash equivalents at 31 March		13,420	8,166

In accordance with FReM 4.2.18 the results of Animal Health and the Veterinary Laboratories Agency have been combined into the financial statements of AHVLA for 2011-12. The results for 2010-11 have been restated and adjusted to achieve uniformity of accounting policies, and include the results of both combining bodies for the previous period, in accordance with *IAS 1 Presentation of Financial Statements*.

The results for 2010-11 have been restated to reflect the combination of Animal Health, Veterinary Laboratories Agency, Rapid Analysis and Detection of Animal-related Risks system (RADAR) and the Veterinary Scientific Policy and Advice team (VSPA). Further details are included in note 2 to the accounts.

The notes on pages 60 to 88 form part of these financial statements.

Note 18 provides a reconciliation between Net Operating Costs and Cash Flow.

STATEMENT OF CHANGES IN TAXPAYERS EQUITY
For the year ended 31 March 2012

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2010		223,242	39,909	263,151
Transfers between reserves	17	2,652	(2,652)	-
Non Cash Charges - notional charges	5	25,433	-	25,433
Non-Cash Adjustments	17	(2,506)	-	(2,506)
Transfers of functions	17	-	-	-
Comprehensive Expenditure for the Year		4,642	11,284	15,926
Net Parliamentary Funding Drawn Down	18	(24,668)	-	(24,668)
Balance at 31 March 2011		228,795	48,541	277,336
Transfers between reserves	17	2,646	(2,646)	-
Non-Cash Charges - notional charges	5	392	-	392
Non-Cash Adjustments	17	2,545	-	2,545
Comprehensive Expenditure for the Year		3,435	(852)	2,583
Net Parliamentary Funding Drawn Down	18	8,501	-	8,501
Balance at 31 March 2012		246,314	45,043	291,357

In accordance with FReM 4.2.18 the results of Animal Health and the Veterinary Laboratories Agency have been combined into the financial statements of AHVLA for 2011-12. The results for 2010-11 have been restated and adjusted to achieve uniformity of accounting policies, and include the results of both combining bodies for the previous period, in accordance with *IAS 1 Presentation of Financial Statements*.

The results for 2010-11 have been restated to reflect the combination of Animal Health, Veterinary Laboratories Agency, Rapid Analysis and Detection of Animal-related Risks system (RADAR) and the Veterinary Scientific Policy and Advice team (VSPA). Further details are included in note 2 to the accounts.

The notes on pages 60 to 88 form part of these financial statements.

Note 17 provides a full analysis of the Reserves.

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of AHVLA for the purpose of giving a true and fair view has been selected. The particular policies adopted by AHVLA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Conventions

These accounts have been prepared under the historical cost convention modified, to account for the revaluation of property, plant and equipment, intangible asset, inventories, and certain financial assets and liabilities.

In the process of applying the Agency's accounting policies, management has made the following judgements and estimations, which have the most significant effect on the amounts recognised in the financial statements.

Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is required to be analysed between administration and programme income. The Agency operates on a net running cost basis and therefore the figures in the accounts of AHVLA are charged wholly to Defra's administrative budget with the exception of movement in provisions, which are considered programme and due to materiality this has not been analysed separately.

a. Key Judgements

Depreciation and Amortisation

The Agency depreciates and amortises non-current assets across deemed useful economic life as per Note 1.7.

b. Key Estimates

Indexation Rates

The Agency values non-current assets at current replacement cost as described in note 1.4 and 1.5. The Agency uses indexation rates published by the Office for National Statistics as a basis for estimating current replacement cost.

Accrued Official Veterinarian Costs

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

Project Accruals and Deferred Income

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

1.2 Income Recognition

Income is credited to the Statement of Comprehensive Net Expenditure on an accruals basis when the work that generates income is provided.

1.3 Funding Recognition

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

From 1 April 2011 upon merger the Agency has become net running, the accounts have been drafted to reflect the net running status of the Agency.

1.4 Property, Plant and Equipment

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

AHVLA occupies both specialist laboratory and non-specialist administrative accommodation. Although ownership of both types of property lies with Defra, as the Agency derives direct economic benefit from the specialist accommodation, which allows for the charging of tests and research, these properties are included on the Statement of Financial Position of AHVLA.

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

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

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

Freehold land and building are stated at fair value and are professionally revalued at least every 5 years at Depreciated Replacement Cost (DRC), in accordance with guidance issued by the Royal Institute of Chartered Surveyors, the last revaluation having taken place in 2010. Properties are revised annually by means of a desk top review undertaken by DTZ Limited, where every valuation is reviewed having regard to local and national indices and local knowledge.

Plant and equipment are valued monthly at current replacement cost, which equates to fair value, by using appropriate indices provided by the Office for National Statistics. Any permanent upward revaluation is credited to the Revaluation Reserve. A deficit on revaluation is debited to the Statement of Comprehensive Net Expenditure if the deficit exceeds the balance held for previous revaluations of the relevant asset in the Revaluation Reserve.

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

Depreciation is charged over the useful life of assets to ensure their value, less residual value, is written off over their useful life. The residual value is the carrying amount of the asset which is expected to be realised on disposal. Depreciation is charged in the month of disposal but not in the month of acquisition. Depreciation is not charged on assets under the course of construction. Each component of an asset with a value deemed material to the total fair value of the asset is capitalised and depreciated separately. Components no longer to be used are derecognised. Under the requirements of FReM, useful lives, component values and residual values are reviewed annually.

The carrying amounts of the Agency's tangible assets are reviewed at each reporting date to establish whether there are any indications of impairment. If such indications are evident, the estimated recoverable amount of the assets are compared to their carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is immediately recognised. The recoverable amount is the greater of the fair value, less costs to sell, and the value in use. The value in use is an estimate of the future cash flow benefits expected to derive from the asset, discounted by a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.5 Intangible Assets

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

Assets in the Course of Construction are not depreciated or revalued until the project concerned is brought into service. Assets in the Course of Construction mainly relate to internally developed

computer software and systems, which includes capitalisation of contractor costs, on projects costing in excess of £50,000.

Costs related to internally generated assets are classified as relating to either research or development phases. The Agency's expenditure on research activities is written off to the Statement of Comprehensive Net Expenditure as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. Capitalisation of development costs is contingent on fulfilment of all of the following criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to use or sell the asset;
- the ability to use or sell the asset;
- the probability of future economic benefits or service potential flowing to the Agency from use or sale of the intangible asset;
- the availability of technical, financial and other resources to complete the development and to use or sell the asset and
- the ability to measure the expenditure attributable to the intangible asset during its development.

Amortisation commences when the developed asset is fully brought into use, and is based on a systematic allocation over the period during which the Agency is expected to benefit from the use of the intangible asset. Asset lives are typically in the range of 2-10 years. The Agency does not hold any intangible assets with an indefinite useful life.

1.6 Service Concession Arrangements (IFRIC 12)

Through Defra, AHVLA has entered into a contract with IBM for the supply of IT services. The contract is for a term of eight years from February 2010. The contract falls within the scope of *IFRIC 12* as interpreted by the FReM and is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value of payments to IBM to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the Agency will derive from

having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the Agency's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

The carrying amounts of the Agency's assets held under service concession arrangements are reviewed at each reporting date to establish whether there are any indications of impairment. If such indications are evident, the estimated recoverable amount of the assets are compared to their carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is immediately recognised. The recoverable amount is the greater of the fair value, less costs to sell, and the value in use. The value in use is an estimate of the future cash flow benefits expected to derive from the asset, discounted by a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.7 Depreciation and Amortisation

AHVLA has adopted Defra's accounting policy on depreciation and amortisation. All non-current assets are depreciated or amortised to write off their cost or valuation on a straight-line basis over their anticipated useful economic life. Depreciation is not charged on Assets in the Course of Construction. The principal asset lives are in the following ranges:

Land and Buildings	5 - 60 years
Furniture and Fittings	5 - 30 years
IT Hardware and Software	2 - 10 years
Office Equipment	5 - 11 years
Plant and Machinery	5 - 15 years
Scientific & Laboratory Equipment	5 - 10 years
Vehicles	4 - 15 years

A full month's depreciation is charged to the Statement of Comprehensive Net Expenditure in the month following acquisition and in the month of disposal.

1.8 Impairment

Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount.

In line with an adaptation in the FReM, any permanent diminution in the value of an asset due to clear consumption of economic benefit or service potential will be recognised in full as an impairment loss in the Statement of Comprehensive Net Expenditure. However, in order to align the balance in the Revaluation Reserve with that which would have resulted through strict application of *IAS 36, Impairment of Assets*, an amount up to the value of the impairment is transferred to the General Fund for the individual asset concerned.

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

1.9 Work in Progress and Inventories

Inventory, which consists of Veterinary & Scientific Consumables, is stated at the lower of cost and net realisable value. AHVLA holds a level of contingency inventory as part of its preparedness for outbreaks of exotic notifiable animal disease, and this forms the provision within Note 11.

Work in progress represents costs incurred on specific projects, including direct materials and labour, plus attributable overheads less provision for known or expected losses as soon as foreseen. Due to the nature of work in progress, commercial and European Union income is not recognised until customers are invoiced.

1.10 Value Added Tax (VAT)

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

1.11 Cash and Cash Equivalents

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

1.12 Hard Charges / Notional Charges

In 2010-11 Defra notionally charged AHVLA for centrally provided accommodation and accommodation services. In 2011-12 the services provided were hard charged. Defra also centrally provides other services through notional or hard charges. The value of both hard and notional charges is determined by Defra. Further details are provided in Note 5.

1.13 Employee Benefits

a. Pensions

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

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

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

b. Other Employee Benefits

Under *IAS 19* provision needs to be made for short term employee benefits that are payable within 12 months of the end of the period. Accordingly an accrual has been made for holiday pay and other benefits accruing to employees in employment at the year end.

c. Early Departure Costs

The Agency is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Agency provides in full for this cost when the early retirement programme has been announced and is binding on the Agency. The Early Departure Provision for additional pension costs are actually funded by Defra although the liability sits within AHVLA's accounts.

1.14 Financial Instruments

The Agency holds a range of financial instruments, aggregated into classes based on their nature. The majority of these relate to contracts for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk. Accordingly there is no disclosure in terms of *IFRS 7, Financial Instruments: Disclosures*.

1.15 Provisions, Contingent Liabilities and Assets

In accordance with *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*, AHVLA provides for its obligations arising from past events where a reliable estimate of the obligation can be made and it is probable that the obligation will be required to be settled. Where material, the future costs have been discounted using the rate of 2.2% (2010-11 2.2%) as directed by HM Treasury.

Where the time value of money is material, contingent liabilities which are required to be disclosed under *IAS 37* are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by *IAS 37* are stated at the amounts reported to Parliament.

In addition to contingent liabilities disclosed in accordance with *IAS 37*, the Agency discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

1.16 Finance Leases

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

The Agency has no finance leases, other than the service concession arrangements referred to in 1.6.

1.17 Operating Leases

All payments under operating leases are charged to the Statement of Comprehensive Net Expenditure as they are incurred. Operating lease incentives are accounted for on a straight line basis over the length of the lease. The determination of a lease is based upon the substance of that arrangement – whether the arrangement is dependent upon the use of a specific asset and conveys the right to use that asset.

1.18 Impending Application of Newly Issued Accounting Standards Not Yet Effective

The Agency provides disclosure where it has not yet applied a new accounting standard, and discloses known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Agency's financial statements.

IFRS 9 Financial instruments, classification and measurement will be applied to future accounting periods.

IFRS 9 Financial instruments was implemented in November 2009 and applied to financial assets. Additional requirements relating to the classification and measurement of financial liabilities are due for implementation in January 2013. The Agency will apply the new standards for the accounting period ending 31 March 2013 and for comparative periods. The amendments made to *IFRS 9* are unlikely to impact upon the Agency as it is exposed to little credit, liquidity or market risk.

1.19 Research and Development

Research and development expenditure is written off as incurred with the exception of development work on internally generated IT Software.

1.20 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into sterling using the rate of exchange at the statement of financial position date, or where appropriate, the rate of exchange fixed under the terms of the relevant transaction. Transactions in foreign currencies are translated into sterling using the rate at the date of the transaction. Differences on translation are written off to the statement of comprehensive net expenditure.

2. Restatement of AHVLA 2010-11 comparative figures

	£'000
Total Net Operating Cost per exAH 2010/11 Accounts	127,985
Total Net Operating Cost per exVLA 2010/11 Accounts	(525)
	<hr/> 127,460
Increase in costs due to FFG Vet Advice Team merger	6,126
Increase in income due to transition to Net Running Costs status	(138,228)
Revised Net Operating Cost per AHVLA Restated 2010/11 Accounts	<hr/> <hr/> <u>(4,642)</u>
Total Taxpayer's Equity per exAH 2010/11 Accounts	38,760
Total Taxpayer's Equity per exVLA 2010/11 Accounts	229,404
	<hr/> 268,164
Increase in asset value due to FFG Vet Advice Team merger	9,172
Revised Taxpayer's Equity per AHVLA Restated 2010/11 Accounts	<hr/> <hr/> <u>277,336</u>

In accordance with FReM 4.2.18 the results of Animal Health and the Veterinary Laboratories Agency have been combined into the financial statements of AHVLA for 2011-12. The results for 2010-11 have been restated and adjusted to achieve uniformity of accounting policies, and include the results of both combining bodies for the previous period, in accordance with *IAS 1 Presentation of Financial Statements*.

The results for 2010-11 have been restated to reflect the combination of Animal Health, Veterinary Laboratories Agency, Rapid Analysis and Detection of Animal-related Risks system (RADAR) and the Veterinary Scientific Policy and Advice team (VSPA).

3. Operating Segments

In accordance with *IFRS8 Segments* AHVLA is required to report financial and descriptive information about its operating segments. These are components about which separate financial information is available. Generally, financial information is required to be reported on the same basis as is reported internally. The AHVLA Board evaluates performance regularly at and below operating segments whilst deciding how to allocate resources and monitor outcomes, and each area aligns to an area of responsibility of a director of AHVLA.

a. Surplus for the Year

The following table reflects the report that is currently presented internally to the AHVLA Board, and shows the operating segments which the organisation currently reports on internally. Due to changes such as devolution and the move to Net Running Cost Agency (NRCA) status, and the fact that much of the income crosses over various operational segments, the normal tabular format is not currently used.

All income generated is in direct line with the objectives of the Agency and is used to further these objectives.

On the following table the figures down to the Surplus figures of £6.935m reflects the figures that the AHVLA Board saw as part of the monthly internal reporting. The figures below this point reflect adjustments that have been made to bring this report in line with the statutory accounts. This includes an additional external audit fee of £40k due to the additional work incurred by external audit during the 2011-12 audit, and brings the total external audit fee for 2011-12 to £197k.

Due to the Agency merger on 1 April 2011, this form of reporting has only been in existence during 2011-12. Due to the complexities presented as a result of the merger, the move to full Net Running Cost Status, and the devolution of budgets it is not possible to present comparable data for 2010-11, due to the work that would be required to prepare these in comparison to the benefit this would bring to the user of these financial statements.

b. Expenditure

	YTD AHVLA
	2011-12
	£'000
Total Income / Funding	205,166
Income	
Base SR	109,961
Additions to SR:VSPA/Pigs/TSE	2,942
Research (SR)	13,556
Surveillance (SR)	28,207
Seedcorn	842
Commercial (and EU for exVLA)	12,945
OGD (and Other Defra for exVLA)	5,391
Funding	
Core Facilities (OM400/OM164)	26,935
VER	4,387
Total Costs (Field and Core)	198,231
Field Costs (Sub Total - exAH)	64,310
Staff Costs	38,027
OV	22,638
NPRC	3,645
Core Costs (Sub Total - exAH)	59,949
SSCs	8,369
HQ (GB value = Funding Differential)	16,525
Reserve Funding within HQ	2,790
VSPA/Pigs/TSE	2,942
Central Hard Charges	24,936
Early exits (VERS)	4,387
Costs (ExVLA)	73,972
Staff Costs	40,007
Purchased Supplies	6,898
Other Operational Costs	30,437
Release of prior year unused accruals	(1,544)
Release of prior year sundry accruals	(857)
Release of prior year Profit Reserves (as per EMT paper)	(969)
Income Less Costs (Deficit) / Surplus	6,935
HQ Funding Differential	(1,342)
VERS	4,387
Depreciation adjustment	(9,009)
HQ Additional NPRC	(303)
Reversal of draft provision	2,790
Adjustment to EU Income figures	(590)
Stock adjustments	607
Additional audit fee	(40)
Revised surplus	3,435

c. Gross Assets

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

d. Interest

The Agency had no interest revenue or expense

e. Liabilities

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

4. Staff Numbers and Related Costs

	2011-12	2010-11
	£'000	Restated £'000
Salaries	75,032	79,930
Employer's National Insurance Contributions	5,610	5,948
Employer's National Insurance Contributions	13,499	14,715
	<u>94,141</u>	<u>100,593</u>
Contractor Costs	1,834	3,278
Staff Exit Costs	7,303	2,365
Staff Leave Accrual	(808)	136
	<u>102,470</u>	<u>106,372</u>

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

In addition to the costs shown above, Contractor Costs of £2.1m (2010-11 £2.6m) have been capitalised. These are included within the additions to IT Software and Assets in the Course of Construction shown in Note 9 – Intangible Assets.

Under *IAS 19, Employee Benefits*, an accrual has been established for the employee benefits payable in the next 12 months.

a. Pension Contributions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but AHVLA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2011. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011-12, employers' contributions of £11,882k were payable to the PCSPS (2010-11 £12,952k restated) at one of four rates in the range 16.7% to 24.3% (2010-11 16.7% to 24.3%) of pensionable pay based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2010-11 and will remain unchanged until 2014-15. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension or a stakeholder pension with an employer contribution. Employers' contributions of £1,617k (2010-11 £1,763k restated) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are aged-related and range from 3.0% to 12.5% (2010-11 3.0% to 12.5%) of pensionable pay. AHVLA also match employee contributions up to 12.5% of pensionable pay. In addition, employer contributions of £nil (2010-11 £8k) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirements of these employees. Contributions due to the partnership pension providers at the 31 March 2012 were £nil (2011 £nil). Contributions prepaid at 31 March 2012 were £nil (2011 £nil).

No persons (2010-11 no persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2010-11 £nil).

b. Average Number of Full Time Equivalent Staff

	2011-12	2010-11
	FTE	Restated FTE
Science Staff	599	649
Veterinary Staff	325	314
Technical Staff	364	388
Administrative and Managerial Staff	1,268	1,357
	<hr/> 2,556	<hr/> 2,708

	2011-12	2010-11
	FTE	Restated FTE
Permanent	2,491	2,608
Fixed Term Contracts	35	46
Casual and Temporary	30	54
	<hr/> 2,556	<hr/> 2,708

The remuneration and emoluments of the AHVLA Board are set out in the Remuneration Report in the Annual Report and Accounts.

4.1 Reporting of Civil Service and Other Compensation Schemes – Exit Packages

During the year 249 employees left AHVLA under voluntary early release schemes. The details are as per the table below.

Exit Package Cost band	Number of departures agreed	Total number of exit packages by cost band
<£10,000	23 (9)	23 (9)
£10,000 - £25,000	108 (21)	108 (21)
£25,000 - £50,000	85 (24)	85 (24)
£50,000 - £100,000	30 (7)	30 (7)
£100,000 - £150,000	3 (2)	3 (2)
£150,000 - £200,000	- (-)	- (-)
£200,000>	- (2)	- (2)
Total number of exit packages by type	249 (65)	249 (65)
Total resource cost (£'000)	7,245 (2,653)	7,245 (2,653)

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

In accordance with FReM 4.2.20 the results for 2010-11 have been restated following the transfer to AHVLA of the Rapid Analysis and Detection of Animal-related Risks system (RADAR) and the Veterinary Scientific Policy and Advice team (VSPA), from Defra, with effect from 1 April 2011. Accordingly, the 2010-11 exit costs have increased by £278k and reflect an additional 7 leavers.

There were no compulsory redundancies during 2011-12 (2010-11: none).

Included in the above is £nil (2010-11 £613k), relating to members of the AHVLA Board leaving the Agency under the cross Government Approved Early Retirement, of which £nil (2010-11 £313k) is payable by Defra. Full details of exit packages offered to members of the AHVLA Board can be seen in the remuneration report.

5. Non Pay Running Costs

	2011-12	2010-11
	£'000	Restated £'000
Official Veterinarian Costs		
Official Veterinarian Costs	22,638	23,598
Operating Costs		
Office Services	11,720	10,218
Travel and Subsistence	3,589	3,874
IT Costs	2,464	2,522
Training	905	1,676
Veterinary Consumables	10,664	11,518
Accommodation and Utilities	627	(432)
Recruitment	480	618
Loss on Disposal of Fixed Assets	177	(34)
Disease Eradication Costs	-	3
Other Operating Costs	-	-
	<u>30,626</u>	<u>29,963</u>
Hard Charges		
Estates Management and Accommodation Services	22,524	-
IT Services	14,511	15,091
Accounting and HR Services	2,659	3,110
Procurement and Contract Services	110	110
Internal Audit	156	178
Legal Services	110	110
	<u>40,070</u>	<u>18,599</u>
Notional Charges		
Estates Management and Accommodation Services	-	25,278
Property Income	-	(76)
Defra Investigation Services	195	81
External Audits	197	150
	<u>392</u>	<u>25,433</u>
Non-Cash Costs		
Depreciation and Amortisation	16,176	19,745
Impairments	(224)	2,076
	<u>15,952</u>	<u>21,821</u>
	<u>87,040</u>	<u>95,816</u>

Official Veterinarians are qualified veterinarians in private practice who undertake work on behalf of AHVLA. The charge against operating costs for the year ended 31 March 2012 is based on activity undertaken by Official Veterinarians and paid for during the year together with:

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

With effect from 1 April 2009 the responsibility for the upkeep and maintenance of the Estate occupied by AHVLA offices was outsourced as part of a Department wide facilities management contract across the Defra family. Costs associated with Estates Management and Accommodation are now hard charged to AHVLA. AHVLA still incur some Accommodation and Utility costs not covered by the outsourcing contract. Estates Management and Accommodation services charges are now provided by DTZ Limited, as this is an agent of Defra, the charges have been analysed under the hard charges category.

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

The estimated value of non-specialised freehold property owned by Defra but occupied by AHVLA is £4,766k (2010-11 £7,235k).

Within 'Estates Management and Accommodation Services' £2,038k (2010-11 £2,544k) relate to facilities management costs associated with the proportion of occupation of buildings that are either owned or leased by Defra or specialised properties held on the Agency's Statement of Financial Position. The commitments are consistent with arrangements containing a lease as defined by *IFRIC 4, Determining Whether an Arrangement Contains a Lease*.

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

Notional charges include the services of Defra Investigation Services. The External Audit fee for 2011-12 is £197k (2010-11) £150k). No remuneration was paid to the auditors for non-audit work.

6. Interest Payable and Similar Charges

AHVLA incurred no charges for interest or similar charges during 2011-12 (2010-11 £nil).

7. Income

	2011-12	2010-11
	£'000	Restated £'000
DEFRA	(96,256)	(181,121)
Other Government Departments	(108,388)	(37,602)
UK Commercial	(2,149)	(10,099)
Overseas Commercial	(6,711)	-
EU Commercial	(2,079)	(1,606)
As per Financial Accounts	(215,583)	(230,428)

	2011-12	2010-11
	£'000	Restated £'000
Compliance and Surveillance	(102,320)	(111,634)
Research and Development	(18,254)	(20,130)
Diagnostic Testing	(3,454)	(3,592)
Scientific Products	(804)	(881)
Communications and Engagement	(15,840)	(14,750)
Disease Incident Intervention	(14,633)	(14,861)
Approvals	(10,236)	(10,401)
Other	(50,042)	(54,179)
As per Financial Accounts	(215,583)	(230,428)

The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	2011-12	2010-11
	£'000	£'000
Fines and penalties	16	67
Less:		
Uncollectible debts	-	(12)
Amount payable to the Consolidated Fund	16	55
Balance held at start of the year	51	20
Payments into the Consolidated Fund	(63)	(24)
Balance held on trust at the end of the year	4	51

Fines and penalties income relates to penalty notices issued under the Eggs and Chicks (England) Regulations 2009 and the Eggs and Chicks (Wales) Regulations 2010. On the grounds of materiality this is not included within a separate Trust Statement.

8. Property, Plant and Equipment

2011-12	Land £'000	Buildings £'000	Scientific Equipment £'000	Office Equipment and Furniture £'000	Plant and Motor Vehicles £'000	IT Assets £'000	Assets in the Course of Con- struction £'000	Total £'000
Cost or valuation								
1 April 2011	17,476	208,799	29,878	5,727	4,385	14,930	10,930	292,125
Additions	-	503	486	-	9	72	3,703	4,773
IBM Asset Movement	-	-	-	-	-	(2,995)	-	(2,995)
Transfers	-	3,221	-	-	-	-	(3,221)	-
Disposals	-	(388)	(920)	-	(37)	(4)	-	(1,349)
Impairment	-	-	(76)	26	16	2	-	(32)
Revaluation	12	(5,080)	17	34	4	-	-	(5,013)
31 March 2012	17,488	207,055	29,385	5,787	4,377	12,005	11,412	287,509
Depreciation								
1 April 2011	(3)	(12,851)	(20,817)	(3,355)	(1,968)	(6,533)	-	(45,527)
Charged	(2)	(3,059)	(1,741)	(716)	(331)	(196)	-	(6,045)
IBM Asset Depreciation	-	-	-	-	-	(1,178)	-	(1,178)
Disposals	-	231	898	-	37	4	-	1,170
Impairment	-	-	-	-	-	-	-	-
Revaluation	-	6	(6)	(23)	(3)	8	-	(18)
31 March 2012	(5)	(15,673)	(21,666)	(4,094)	(2,265)	(7,895)	-	(51,598)
Net Book Value								
31 March 2012	17,483	191,382	7,719	1,693	2,112	4,110	11,412	235,911
31 March 2011	17,473	195,948	9,061	2,372	2,417	8,397	10,930	246,598
Asset Financing:								
Owned	17,483	191,382	7,719	1,693	2,112	251	11,412	232,052
Service Concession Arrangements	-	-	-	-	-	3,859	-	3,859
Net Book Value at 31 March 2012	17,483	191,382	7,719	1,693	2,112	4,110	11,412	235,911

DTZ Limited undertook a professional valuation of land and buildings during the year ended 31 March 2012. The valuation decreased the values of land and buildings which are reflected in the above values as at 31 March 2012 of which £5.074m was charged to revaluation reserve and £nil to the operating cost statement.

2010-11				Office Equipment and furniture	Plant and Motor Vehicles	IT Assets	Assets in the Course of Con- struction	Total
Restated	Land £'000	Buildings £'000	Scientific Equipment £'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
1 April 2010	17,260	184,858	28,639	5,723	4,261	17,063	12,133	269,937
Additions	-	4,114	1,759	-	270	310	1,313	7,766
IBM Asset Movement	-	-	-	-	-	(1,868)	-	(1,868)
Transfers	-	2,516	-	-	-	-	(2,516)	-
Disposals	-	(72)	(2,487)	(82)	(235)	(490)	-	(3,366)
Impairment	-	-	-	-	-	-	-	-
Revaluation	216	17,383	1,967	86	89	(85)	-	19,656
31 March 2011	17,476	208,799	29,878	5,727	4,385	14,930	10,930	292,125
Depreciation								
1 April 2010	-	(2,817)	(20,154)	(2,647)	(1,855)	(5,554)	-	(33,027)
Charged	(3)	(4,625)	(1,694)	(725)	(316)	(176)	-	(7,539)
IBM Asset Depreciation	-	-	-	-	-	(1,364)	-	(1,364)
Disposals	-	1	2,443	64	228	484	-	3,220
Impairment	-	(247)	-	-	-	-	-	(247)
Revaluation	-	(5,163)	(1,412)	(47)	(25)	77	-	(6,570)
31 March 2011	(3)	(12,851)	(20,817)	(3,355)	(1,968)	(6,533)	-	(45,527)
Net Book Value								
31 March 2011	17,473	195,948	9,061	2,372	2,417	8,397	10,930	246,598
31 March 2010	17,260	182,041	8,485	3,076	2,406	11,509	12,133	236,910
Asset Financing:								
Owned	17,473	195,948	9,061	2,372	2,417	366	10,930	238,567
Service Concession Arrangements	-	-	-	-	-	8,031	-	8,031
Net Book Value at 31 March 2012	17,473	195,948	9,061	2,372	2,417	8,397	10,930	246,598

Included within IT assets above are service concession assets held under a 'Right of Use' arrangement with IBM as follows:

	2011-12 £'000	2010-11 Restated £'000
Balance at 1 April	8,031	11,263
	-	-
Extension to the service concession arrangement	19	-
Adjustment to the service concession arrangement	(3,013)	(1,868)
Depreciation	(1,178)	(1,364)
Balance at 31 March	3,859	8,031

9. Intangible Assets

2011-12	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
1 April 2011	58	101,352	11,920	113,330
Additions	-	-	5,007	5,007
Transfers	-	12,603	(12,603)	-
Disposals	-	-	-	-
Impairments	-	258	-	258
Revaluation	-	7,749	-	7,749
31 March 2012	58	121,962	4,324	126,344
Amortisation				
1 April 2011	(20)	(47,071)	-	(47,091)
Charged	(3)	(8,950)	-	(8,953)
Disposals	-	-	-	-
Impairments	-	-	-	-
Revaluation	-	(3,570)	-	(3,570)
31 March 2012	(23)	(59,591)	-	(59,614)
Net Book Value				
31 March 2012	35	62,371	4,324	66,730
31 March 2011	38	54,281	11,920	66,239

2010-11	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
Restated				
Cost or valuation				
1 April 2010	58	86,434	19,411	105,903
Additions	-	-	13,320	13,320
Transfers	-	20,811	(20,811)	-
Disposals	-	-	-	-
Impairments	-	(2,541)	-	(2,541)
Revaluation	-	(3,352)	-	(3,352)
31 March 2011	58	101,352	11,920	113,330
Amortisation				
1 April 2010	(17)	(38,494)	-	(38,511)
Charged	(3)	(10,839)	-	(10,842)
Disposals	-	-	-	-
Impairments	-	712	-	712
Revaluation	-	1,550	-	1,550
31 March 2011	(20)	(47,071)	-	(47,091)
Net Book Value				
31 March 2011	38	54,281	11,920	66,239
31 March 2010	41	47,940	19,411	67,392

10. Financial Instruments

As the cash requirements of the AHVLA are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non public sector body. The majority of financial instruments relate to contracts to buy non financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk. Accordingly no disclosure is deemed necessary.

11. Inventories

	2011-12 £'000	2010-11 Restated £'000
Veterinary & Scientific Consumables	2,359	882
Less Contingent Stock Provision	(88)	(97)
Goods For Resale	1,845	1,129
Work In Progress	2,232	3,541
	6,348	5,455

Goods for Resale and Work in Progress are shown net of Obsolescence Provision.

12. Trade Receivables and Other Current Assets

	2011-12	2010-11
	£'000	Restated £'000
Amounts falling due within one year		
Trade receivables	29,758	2,902
Other receivables	1,342	396
Trade and Other Receivables	31,100	3,298
Other Current Assets		
Deposits and advances	19	3
VAT	-	2,048
Prepayments and accrued income	16,422	3,639
	16,441	5,690
Amounts falling due after more than one year		
Deposits and advances	-	21
	16,441	5,711
As at 31 March	47,541	9,009

Trade receivables and other current assets include £40,549k due from other central government bodies (2011 £1,858k), £7k from local authorities (2011 £20k) and £1k from other public bodies (2011 £nil).

The above trade receivables and other current assets exclude £4k (2011 £1k) that is payable to the Consolidated Fund once the debts are collected. These are in relation to Eggs and Chicks Regulations.

Trade receivables and other current assets have increased significantly in 2011-12 due to the switch of the Agency to the Net Running Cost basis. This is due to the basis of funding the Agency changing from 1 April 2011 and reflects the timing of cash receipts being received by AHVLA when compared to the generation of invoices.

13. Cash and Cash Equivalents

	2011-12	2010-11
	£'000	Restated £'000
Government Banking System	13,420	8,156
Commercial Bank Account	-	10
Total cash in hand	13,420	8,166

GBS is part of HM Revenue and Customs and has procured banking services from the Royal Bank of Scotland Group and Citibank. As funds held in these accounts will be transferred to the Exchequer on a daily basis these accounts will not be classified as commercial bank accounts.

Cash and cash equivalents above exclude £nil (2011 £50k) that is payable to the Consolidated Fund.

14. Trade Payables and Other Current Liabilities

	2012	2011
	£'000	Restated £'000
Trade and Other Payables		
Trade payables	(8,072)	(3,486)
Other payables	(5,421)	(5,302)
	<u>(13,493)</u>	<u>(8,788)</u>
Other Liabilities		
Accruals and deferred income	(55,012)	(40,316)
Other taxation and social security	(4,630)	(812)
	<u>(59,642)</u>	<u>(41,128)</u>
As at 31 March	<u>(73,135)</u>	<u>(49,916)</u>

Trade payables and other current liabilities due within one year include £34,526k due to other central government bodies (2011 £15,654k), £9k due to other public bodies (2011 £nil, 2010 £4k), and (£2k) due to local authorities (2011 £nil).

Included within other payables is the future current liability of £847k to pay for the 'Right of Use' assets to IBM (2011 £1,346k).

All of the above are Current Liabilities.

15. Lease Obligations Due in More Than One Year

	2011-12	2010-11
	£'000	Restated £'000
Not later than one year	847	1,624
Balance in Current Liabilities	<u>847</u>	<u>1,624</u>
Later than one year and not later than five years	3,251	4,850
Later than five years	745	2,139
Balance in Non Current Liabilities	<u>3,996</u>	<u>6,989</u>
Balance at 31 March	<u>4,843</u>	<u>8,613</u>

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

16. Provision for Liabilities and Charges

Total Provision	Early departure costs £'000	Taxation £'000	Other £'000	Asbestos and Dilapidations £'000	Total £'000
1 April 2010	274	113	46	396	829
Provided in the year	549	150	-	215	914
Provisions not required	-	(92)	-	(251)	(343)
Provisions utilised in the year	(152)	(21)	-	-	(173)
At 31 March 2011 (Restated)	671	150	46	360	1,227
Provided in the year	285	54	56	683	1,078
Provisions not required	(252)	-	-	(200)	(452)
Provisions utilised in the year	(262)	(114)	-	(15)	(391)
At 31 March 2012	442	90	102	828	1,462

Analysis of Provision	Early departure costs £'000	Taxation £'000	Other £'000	Asbestos and Dilapidations £'000	Total £'000
Not later than one year	369	90	102	828	1,389
Balance in Current Liabilities	369	90	102	828	1,389
Later than one year and not later than five years	73	-	-	-	73
Later than five years	-	-	-	-	-
Balance in Non Current Liabilities	73	-	-	-	73
At 31 March 2012	442	90	102	828	1,462

Early Retirement

The movement in the early retirement provision represents additional staff whose release from the Agency was funded by Defra during 2011-12. The provision for those staff who left during the financial year under the old release scheme relates to the additional superannuation payable between the date of departure and the point where the former employee reaches normal retirement age. The provision for staff leaving under the new release scheme relates to their agreed lump sum payment payable on departure from the Agency where they have agreed to leave their post prior to 31 March 2012. The release in year relates to a transfer in 2010-11, Senior Civil Servant exits that Defra are funding.

The Agency meets the additional costs of the benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between the early departure and normal retirement date. The Agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate, where material.

Asbestos and Dilapidations

Following advice that AHVLA will be responsible for the removal of asbestos identified in occupied property and for future dilapidations on specialist building areas, a comprehensive review of our future plans for our occupied properties revealed that a provision of £828k (2010-11 £360k) needed to be made in respect of properties that the Agency would be vacating in 2012-13. These plans have been changed since those originally included for the 2011-12 financial year.

Taxation

The taxation provision has increased during the year due to the Agency continuing to pay equipment supplement without the correct tax dispensation. This is expected to be resolved during 2012-13.

Other

A provision of £60k has been entered to adequately provide for litigation issues.

In addition to the above is a provision in relation to the demolition to certain buildings in Weybridge totalling £4.2m which has been netted off Non Current Assets.

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

17. Reserves

GENERAL FUND	2011-12	2010-11
	£'000	Restated £'000
At 1 April	228,795	223,242
Net Operating Costs for the Year	3,455	4,642
Net Cash Requirement Received from Defra	8,501	(24,668)
Notional Charges	392	25,433
Transfer from Revaluation Reserve	2,646	2,652
Transfer of functions	-	-
Adjustments in year between AHVLA and Defra	2,545	(2,506)
At 31 March	246,314	228,795

Movements in the period consist of amounts generated from operational activities, the costs of group reconstruction and notional and non-cash charges. Adjustments in year between AHVLA and Defra represent transfers of costs between the two organisations. The reserve is not distributable.

The Net Cash Requirement figure in 2011-12 represents funds advances to the Agency by Defra to allow for fluctuations in cashflow as a result of the switch to the Net Running Cost basis, and the difference resulting from the timing of cash receipts and the generation of invoices.

REVALUATION RESERVE	2011-12	2010-11
	£'000	Restated £'000
At 1 April	48,541	39,909
Arising on Indexation during the year (net)	(5,031)	13,086
Asset Devaluation	4,179	(1,802)
Transfer to General Fund	(2,646)	(2,652)
At 31 March	45,043	48,541

Analysis of Revaluation Reserve

	Tangible Assets £'000	Intangible Assets £'000	Total £'000
Balance at 1 April 2010	33,713	6,196	39,909
Net gain on revaluation of property, plant and equipment	13,086	-	13,086
Net loss on revaluation of intangible assets	-	(1,802)	(1,802)
Transfers between reserves	(951)	(1,701)	(2,652)
In Year Movement	12,135	(3,503)	8,632
Balance at 31 March 2011 (Restated)	45,848	2,693	48,541
Net loss on revaluation of property, plant and equipment	(5,031)	-	(5,031)
Net gain on revaluation of intangible assets	-	4,179	4,179
Transfers between reserves	(1,839)	(807)	(2,646)
In Year Movement	(6,870)	3,372	(3,498)
Balance at 31 March 2012	38,978	6,065	45,043

18. Net Cashflow

	2011-12	2010-11
	£'000	Restated £'000
Cash flows from operating activities		
Net Operating (Income) / Costs	3,455	4,642
Adjustments for non-cash transactions	16,344	47,254
Loss on disposal of non current assets	177	(34)
(Increase) / Decrease in trade and other receivables	(38,532)	54
Increase in inventories	(893)	(615)
Increase in trade payables	25,505	2,650
Use of provisions	234	398
Net Operating Costs excluding Notional and Non-Cash Costs	6,270	54,349
Non-Cash Adjustments	2,543	(2,507)
Net cash outflow from operating activities	8,813	51,842
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,773)	(7,766)
Purchase of intangible assets	(5,007)	(13,320)
<i>IFRIC 12 IBM Asset Movement</i>	2,995	1,868
Net (Decrease) / Increase in capital payables	(2,284)	1,024
Proceeds from the disposal of non current assets	2	180
Net cash outflow from investing activities	(9,067)	(18,014)
Cash flows from financing activities		
Net cash requirement received from Defra	8,501	(24,668)
Decrease in non current lease obligations	(2,993)	(2,586)
Net financing	5,508	(27,254)
Change in Cash and Cash Equivalents		
At 1 April	8,166	1,592
Increase in cash	5,254	6,574
At 31 March	13,420	8,166

19. Capital Commitments

There were £3,848k material direct capital expenditure commitments at 31 March 2012 (2011 £273k).

The Agency has no committed indirect capital spend on the Business Reform Programme (BRP), where costs will be capitalised thereafter in accordance with the agreed policy. At 31 March 2012, AHVLA was committed to time and materials BRP-related spend of £nil during 2012-13 (2011-12 £1.342m). Once this spend has been incurred, and the relevant modules evaluated, the level of capitalisation will be determined.

Through the agreement in place covering accommodation occupied by AHVLA the Agency has a capital commitment in 2011-12 of £3,848k (2010-11 £273k).

20. Commitments Under Operating Leases

	2011-12	2010-11
	£'000	Restated £'000
Leasehold property operating lease payments due in:		
Not later than one year	1,783	1,860
Later than one year and not later than five years	3,824	4,225
Later than five years	2,902	3,817
	<u>8,509</u>	<u>9,902</u>

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

Of the above £322k (2010-11 £626k) related to Land and £8,187k related to buildings (2010-11 £9,276k).

	2011-12	2010-11
	£'000	Restated £'000
Other operating lease payments due in:		
Not later than one year	2,763	10,879
Later than one year and not later than five years	3,223	648
Later than five years	-	-
	<u>5,986</u>	<u>11,527</u>

21. Obligations Under Service Concession Arrangements

	2011-12	2010-11
	£'000	Restated £'000
Obligations under service concession arrangements due in:		
Not later than one year	13,889	13,911
Later than one year and not later than five years	52,399	49,158
Later than five years	10,322	21,865
	<u>76,610</u>	<u>84,934</u>

AHVLA as an Executive Agency of Defra has entered into a service concession arrangement with IBM that covers the whole Department. It aims to support the Agency by providing a modernised IT infrastructure, in line with the wider government IS strategy, which will give the Department access to cost effective IT services and infrastructure. All service concession assets are classed as one tangible IT service concession asset.

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

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

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for this clause is on a sliding scale depending on several factors, including time left on the contract.

AHVLA is committed to meet the remainder of the payments to IBM that relate to the service element of the contract referred to in Note 1.6. Amounts payable are as the above table.

22. Other Financial Commitments

	2011-12	2010-11
	£'000	Restated £'000
Facilities management costs relating to Defra leasehold, specialised and freehold properties due in:		
Not later than one year	11,186	10,790
Later than one year and not later than five years	42,621	41,575
Later than five years	74,487	81,895
	<u>128,294</u>	<u>134,260</u>

Other financial commitments relate to ICT service charges relating to Defra's agreement with IBM that do not qualify as service concession arrangements, and facilities management costs associated with the proportion of occupation of buildings that are either owned or leased by Defra or specialised properties held on the Agency's Statement of Financial Position. The commitments are consistent with arrangements containing a lease as defined by *IFRIC 4 Determining Whether an Arrangement Contains a Lease*.

23. Contingent Liabilities

There were no material contingent liabilities at 31 March 2012 (2010-11 Enil).

24. Losses and Special Payments

	2011-12	2010-11
Cases	276	13
Cost (£'000)	157	27

Of the above £2k (41 instances) related to stores loses, with the remainder (£155k; 235 instances) relating to cash losses and special payments.

25. Related Party Transactions

AHVLA is an Executive Agency of Defra and is also a supplier of services to Defra. During the period ended 31 March 2012 Defra provided AHVLA with remuneration for services and provided a number of services to AHVLA. In addition AHVLA had a number of operational transactions with the Department's other Executive Agencies, (the Food and Environmental Research Agency, the Rural Payments Agency, and the Veterinary Medicines Directorate), and with other Government bodies, notably the Scottish Government, the Welsh Assembly Government, the Food Standards Agency and the Meat Hygiene Service.

£178k was paid in the year on an arms length basis to Honddu (formerly McAllister and Davies) for veterinary services (2010-11 £172k). These transactions are disclosed as a partner in the practice is married to an AHVLA member of staff.

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

The Agency keeps a fully updated Register of Interests.

26. Events After The Reporting Period

AHVLA's financial statements are laid before the Houses of Parliament by the Secretary of State for Defra. *IAS 10, Events After the Reporting Period*, requires AHVLA to disclose the date on which the accounts are authorised for issue. The authorised date for issue is 12 July 2012.



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