

# **Animal and Plant Health Agency**

## **Annual Report and Accounts 2016/17**

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**(For the year ended 31 March 2017)**

Accounts presented to the House of Commons in pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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## **Contents Page**

<b>Performance Report: Foreword by Chief Executive – Chris Hadkiss</b>	<b>1</b>
<b>Highlights 2016/17</b>	<b>2</b>
<b>Performance Report: Summary</b>	<b>3</b>
<b>Performance Report: APHA’s Performance 2016/17</b>	<b>8</b>
<b>Accountability Report: Directors Report</b>	<b>11</b>
<b>Accountability Report: Financial Review</b>	<b>12</b>
<b>Accountability Report: Statement of Accounting Officers Responsibilities</b>	<b>16</b>
<b>Accountability Report: Governance Statement</b>	<b>17</b>
<b>Accountability Report: Remuneration Report</b>	<b>22</b>
<b>Accountability Report: Staff Report</b>	<b>29</b>
<b>Accountability Report: Parliamentary Accountability Report</b>	<b>32</b>
<b>THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS</b>	<b>34</b>
<b>Notes to the Accounts</b>	<b>41</b>
<b>Annex A – Governance Map</b>	<b>64</b>
<b>Annex B – Performance Measures</b>	<b>65</b>

# Performance Report – Overview



## Foreword by Chief Executive – Chris Hadkiss

This has been a memorable year for APHA for many reasons and the annual report and accounts allow the opportunity to reflect on what we have delivered in 2016/17. When I look back, there have been some great examples of how we support service delivery for the Defra group, as well as providing support to both the Scottish and Welsh Governments.

A response plan was activated to deal with the threat of Asian Hornets as soon as we confirmed the first sighting in the UK, and our National Bee Unit quickly and successfully contained the outbreak. In December 2016, we then faced what has since become a prolonged series of outbreaks of avian influenza H5N8 which has seen staff working to regain UK disease free status as soon as possible. This has required many staff to step out of their usual activities to focus on the Agency's response to the outbreaks.

Other high profile activities and varied achievements include: investigations into tick borne disease, babesiosis in dogs, surveillance and research into antimicrobial resistance, the safe capture and re-homing of a racoon, export health certification for competing horses and other animals travelling to Rio for the Olympics and Paralympics, working with Defra on this year's badger cull, the rescue and tagging of Bodmin Moor ponies, implementation of the CPH changes and livestock movement rules and responding to a case of sweet chestnut blight. We continue to monitor disease risks and will continue to work with our partners and stakeholders to raise awareness of new, emerging and re-emerging animal and plant diseases.

This year we have progressed with our internal change programmes which are designed to make us a modern, efficient, flexible and customer focused organisation. Our Organisational Reform Programme has seen the restructure of our field services, alongside the Defra Transformation Programme which saw the centralisation of our Finance and Communications functions as part of Defra group Corporate Services, and the launch of the Defra Target Operating Model. These changes can be unsettling for our staff and our partners, but I do believe they bring many benefits to the Agency and those we work with.

There is much more I could highlight here. I hope you find this report insightful and that it helps you understand more about the work we have done to safeguard animal and plant health.

In June the UK voted to leave the EU. This will bring both opportunities and challenges, which will result in significant changes both for the Agency, as well as those we work for and with. Following the referendum, an EU Exit Programme was quickly formed in Defra, with members from APHA, to ensure we are well prepared for the changes ahead.

It just leaves me to thank those we have worked with over the past year, and in particular our staff for their hard work, commitment and passion for the work APHA aims to deliver. I know that these words of thanks come not only from me, but also the rest of the APHA Directorate Team.

Chris Hadkiss, APHA Chief Executive and Accounting Officer  
06 July 2017

## Highlights 2016/17

**Developing the Next Generation:** On 2 August 2016, APHA hosted 20 students from around the world as part of the 58th London International Youth Science Forum. This forum attracts some of the world's leading young scientists, aged between 17 and 21, from more than 65 countries. We were able to talk to them about the diverse work of the Agency, the research we carry out and how important international collaborations are in the battle against animal diseases.

**Ensuring Quality:** The National Bee Unit recorded a first when they were awarded ISO 17020 accreditation in December 2016. This is the first time any bee inspectorate worldwide has received this accreditation.

**Tackling Avian Influenza:** As well as responding immediately to the outbreak in the UK, APHA scientists are contributing to a global study to understand the spread of avian influenza across continents. In our role as the World Organisation for Animal Health (OIE) Reference Laboratory for Avian Influenza, our team provides advice and analyses of surveillance data for bird flu in poultry and wild birds across the world.

**Centre of Expertise for Extensively Managed Livestock:** based in Carmarthen, the centre will bring together a hub of expertise and information, serving the whole of Great Britain. Improving disease surveillance in extensively-managed livestock was an important outcome of the 2014 Surveillance Review as disease surveillance is crucial to protect animal health and welfare, and also public health. Early detection of diseases in extensively-managed livestock poses particular challenges, but also opportunities to apply new approaches and technologies to the early detection of threats in animals which are not under close and regular supervision.

**Colistin Breakthrough:** Having been involved in the work in November 2015, which led to the detection of the transferable colistin resistance gene (mcr-1) in China, APHA subsequently undertook a number of further investigations and identified its presence in colistin-resistant bacteria from pigs on a UK farm.

## Performance Report: Summary

The Animal and Plant Health Agency (APHA) has had another busy year; it has seen, been presented with and met many challenges and opportunities. APHA has delivered a wide range of plant and animal health services at home and overseas. The Agency continues to be at the forefront of ensuring that we are able to minimise and control the risk of new, emerging and re-emerging animal, plant and pest threats.

All this has been alongside implementing an internal change programme for a new model for the delivery of frontline services. These changes have ensured that APHA is able to continue to meet the demands of its customers while continuing to deliver value for money for the UK taxpayer.

This report will highlight the main areas of work delivered in 2016/17 and highlight some of the challenges the Agency has faced, along with providing more detail on the cost of delivering these.

**About APHA:** APHA is an executive agency of Defra, providing services to the Scottish and Welsh Governments, other government departments and a range of other customers. We maintain essential disease investigation and response capability, as well as supporting the trade in plants, animals and associated products through effective certification, audit and inspection. We help protect our borders through effective import controls of animals, plants, seeds and products of animal origin.

### **We are responsible for:**

- Identifying and controlling endemic and exotic diseases and pests in animals, plants and bees, and surveillance of new and emerging pests, diseases and genetically modified organisms (GMO).
- Preventing of the establishment of Non Native Species.
- Scientific research in areas such as bacterial, viral, prion and parasitic diseases and vaccines, and food safety.
- Ensuring high standards of welfare in farmed animals.
- Facilitating trade in animals and in products of animal origin, plants and seeds.
- Monitoring the breeding of plant varieties.
- Protecting endangered wildlife through licensing and registration.
- Managing a programme of apiary (bee) inspections, supporting research, diagnostics and training and advice.
- Regulating the safe disposal of animal by-products to reduce the risk of potentially dangerous substances entering the food chain.

- Ensuring that genetically modified (GM) crop trials are carried out in accordance with statutory requirements; and auditing seed importers to minimise the risk of unauthorised GM crops being planted.

In addition to this we offer services to the veterinary and scientific community, industry and the public<sup>1</sup>.

**Our Operating Structure:** Our organisational structure and governance map can be found at Annex A. More information on our governance can be found on GOV.UK<sup>2</sup>.

**Risks and Issues:** For an assessment of the Agency's risk and issues, refer to the Governance Statement (pages 17 to 21) under the heading "*Risk Management*".

**Day-to-day Work:** Our work covers a wide range of tasks for diverse customer groups. We engage with partners in industry and academia, with other government departments, laboratories and international partners to ensure we are able to deliver what is asked of us.

Specifically in 2016/17 this has included:

#### *Managing Plant and Animal Disease Outbreaks*

Our top priority remains the control and eradication of animal and plant diseases and pests. During 2016/17 we have successfully responded to a number of outbreaks:

- Highly pathogenic avian influenza (H5N8).
- The Yellow Legged Asian Hornet (*Vespa velutina*).
- Responding to over 1,300 findings of quarantine pests and diseases.

Our focus going forward is:

- Maintaining and developing access to both the skills and capabilities required to deliver core business as usual services and outbreak response.
- Maintaining national and international specialist veterinary and scientific capability and reputation.
- Ensuring APHA readiness to respond to outbreaks.
- Continuing to adapt and implement APHA outbreak response model plans.
- Identifying lessons from outbreaks and exercises and implementing improvements in our outbreak response.

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<sup>1</sup> <https://www.gov.uk/government/organisations/animal-and-plant-health-agency>

<sup>2</sup> <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/our-governance>

## *Tuberculosis (TB)*

Bovine tuberculosis (bTB) activities to control and eventually achieve Officially TB Free (OTF) for all of the UK remain the most resource intensive part of APHA's business. APHA advises on and delivers a complex set of control measures across the countries and different TB risk areas including:

- Delivery of the national TB skin testing programme through our Veterinary Delivery Partners (VDPs) and Official Veterinarians (OVs).
- Provision of extensive laboratory services to the eradication programmes across GB.
- Collation and analysis of TB surveillance data<sup>3</sup> to produce annual epidemiology reports, and carry out important research and development work to support customers' policies on bTB.
- Implemented measures to introduce increased sensitivity of breakdown testing in the high risk area and enabled private gamma testing in certain situations.
- Implemented post-movement testing in the Low Risk Area and implemented the option of free pre-movement testing for herd dispersal sales in the Low Risk Area.
- Developed farm level data reports to provide increased information to farmers, and their vets, affected by TB breakdowns. APHA has also supported the badger control programme in England with technical and scientific inputs.
- Supporting the Scottish Government in delivery of measures to ensure continued OTF status.

## *International Trade*

Demand for Export Health Certificates has increased by nearly 24 per cent during 2016/17. The increase in demand has been driven by new markets opening in the USA for dairy products. This increase in demand has been managed through process improvements.

We have also been working closely with Defra colleagues to understand the potential impacts of EU exit and to develop potential new trade models to ensure that exports from GB are not adversely impacted after EU exit.

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<sup>3</sup> <https://www.gov.uk/government/publications/bovine-tb-epidemiology-and-surveillance-in-great-britain-2015> and <http://gov.wales/topics/environmentcountryside/ahw/disease/bovinetuberculosis/bovinetberadication/?lang=en>.

## *Animal Welfare*

A key role for APHA is to protect the welfare of animals on farm, at markets during commercial transportation and at the time of killing if undertaken outside of slaughterhouses. This year APHA has:

- Conducted an annual risk based programme of welfare inspections under the EU cross compliance regulations on behalf of Defra, Scottish and Welsh Governments.
- Introduced a risk-based programme of meat chicken inspections.
- Regulated and approved animal transporters, approved and audited journey plans for longer journeys and over 10,000 re-authorisation applications.
- Worked with operational partners such as local authorities, and where appropriate non-government organisations such as the RSPCA and SSPCA, to take appropriate action where non-compliance was disclosed.

## *Delivery of Field Services*

APHA's Service Delivery Directorate provides the operational element of the Agency. Over the last year, an Organisational Reform Programme has been rolled out; delivering improvements to this Directorate's structure and service delivery capability. A strong directorate is now in place with the best leaders and managers; where everyone is recognised for their skills and capability, allowing all staff to be able to carry out their roles more confidently and effectively.

As part of the Defra Transformation Programme, the Farm Visits Programme (now called the Field Activity Programme) continues to progress with the overall aim of reducing the burden of farm visits on both compliant customers and the government. In the last year, the programme has expanded coordination with other agencies including the Rural Payments Agency (RPA), the Environment Agency (EA) and Natural England (NE), and procured an automated field resource allocation and scheduling capability tool, known as the Field Service Management System (FSM).

## *Delivery of Scientific Services*

A new APHA science blog<sup>4</sup> was launched in April 2016 on GOV.UK aimed at improving the communication of our science to a wider audience. The blogs cover a wide range of scientific highlights from special interest stories on our scientists through to more detailed reports on the excellent science we do, and also an annual review showing the range and depth of our science.

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<sup>4</sup> <https://aphascience.blog.gov.uk/>

### *Veterinary Services*

In November, APHA undertook a veterinary recruitment drive based on a campaign which was piloted in early 2016. This included attending veterinary events, talking to students, advertising and the use of social media. The results again exceeded expectations with all vacancies filled by high quality candidates and a reserve list for future vacancies.

### *EU Exit*

In June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

## Performance Report: APHA's Performance 2016/17

Our Key Performance Indicators (KPIs) are agreed with policy customers and measure all significant and important work areas. All have a red, amber or green (RAG) rating associated with them to indicate where corrective action is required (red), where some adjustment is needed (amber) and where the Agency is on target (green).

Performance reviews take place with Defra, Scottish and Welsh Governments each quarter and this provides an opportunity for more in depth analysis of the performance information and to update on delivery priorities and any adjustments within the reporting year. We also report at regular intervals, against service level agreements and projects, for work carried out for our other customers.

**Performance analysis:** Our Key Performance Indicators (KPIs) reflect the need to ensure compliance with legislation and also reflect the particular and different needs of our customers and our own business. Minor enhancements were made to the KPIs agreed for 2016/17 over those agreed for 2015/16.

There are a total of 27 KPIs agreed with policy customers and these measure all significant and important work areas including international trade, science, welfare and surveillance. 22 KPIs were met or exceeded, 4 were substantially met and two were met in part. Our KPIs are summarised at Annex B. KPIs measure all significant and important work areas including international trade, science, welfare and surveillance.

The sustained avian influenza (AI) outbreak affected our ability to achieve some KPIs due to a requirement to reallocate our resources so we were able to promptly respond to the outbreak where required and to ensure we were able to maintain that provision over a number of months. This was delivered while also completing routine animal by-products inspections, high risk plant inspections and our Egg Marketing Inspectors were tasked with overstocking Inspections. Due to the demand on resources made by the AI inspections, our Egg Marketing Inspectors focused on registered sites that are in production.

**Better Regulation:** APHA continues to contribute to the Government's objective of supporting economic growth by minimising regulatory burdens and finding new and innovative ways of working to support compliant businesses. As part of the Defra Farm Visits Programme, APHA has contributed to a reduction in single visit inspections by combining regulatory activities across Defra agencies; for example, completing sheep and goat health surveillance inspections with animal identity checks.

We participated in the Cabinet Office Regulatory Futures Review to progress the objective of reviewing regulations and functions. This is to ensure that we continue to effectively balance the needs of reducing the regulatory impact on businesses while maintaining the safeguards for animal, plant and public health. In June 2016, the Regulatory Policy Committee (RPC) agreed APHA's first summary report for Non-Qualifying Regulatory Provisions required under the Small Business Enterprise and Employment (SBEE) Act.

This gave an overview of APHA activity related to policy development, implementation of EU/domestic legislation, education, disease emergencies and re-organisation projects.

**Open Data:** In June 2016, APHA successfully delivered more than 800 published datasets towards Defra’s #OpenDefra accelerator project, which aimed to publish thousands of datasets from across the Department. These datasets demonstrated the breadth and depth of APHA’s work on activities as diverse as wild bird surveillance, plant import inspections, Access to Information requests, and foot and mouth disease mapping.

**Sustainability:** During 2016/17 we remained committed to improving the environmental performance of our business operations, preventing pollution and, where practical, following best practice in environmental management.

The scope of the report is aligned to the Greening Government Commitments (GGC).

### *Performance Summary*

By 2017, as part of the GGC APHA aimed to:

- Reduce greenhouse gas emissions from the whole estate and business related transport by 25 per cent.
- Reduce the amount of waste we generate by 25 per cent.
- 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.

### *Sustainability data*

Year	2013/14	2014/15	2015/16	2016/17
<b>GHG tonnes</b>	21,098	22,429	21,550	19,305
<b>Scope 1</b>	11,413	10,338	8,656	9,201
<b>Scope 2</b>	8,522	10,727	11,336	9,017
<b>Scope 3</b>	1,164	1,364	1,558	1,087
<b>Waste tonnes</b>	1,477	1,777	1,274	1,279
<b>recycled / reused</b>	160	291	133	107
<b>composted</b>	2	2	2	1
<b>incinerated with energy recovery</b>	763	960	773	808
<b>incinerated without energy recovery</b>	501	476	334	345
<b>landfilled</b>	51	48	32	18
<b>Water m3</b>	204,975	204,348	171,221	162,888

## GCC Targets

<b>CO2 Reduction 2016/17 vs. baseline</b>	<b>Target 2017</b>	<b>Current performance</b>
-12%	-38%	Behind target, improved on baseline
<b>Waste Reduction last 4 quarters vs. baseline</b>	<b>Target 2017</b>	<b>Current performance</b>
-46%	-25%	Ahead of target
<b>Water Reduction vs. baseline</b>	<b>Target 2017</b>	<b>Current performance</b>
-12%	Improve on baseline	Ahead of target

### *Explanatory notes*

Due to its scale, the Weybridge site is a major contributor to our carbon footprint. This is, in part, due to the scale and nature of the work carried out at this site. We remain committed to taking part in the Carbon Reduction Commitment to help us, along with Defra and our facilities management provider, to identify and review opportunities for improving energy efficiency.

Our procurement contracts are managed centrally by Defra which ensures contracts are handled through its Sustainable Operations and Procurement Strategy. The Defra procurement team works with suppliers of new contracts to minimise packaging waste, and consider sustainability more widely in their service provision.

Chris Hadkiss, APHA Chief Executive and Accounting Officer

06 July 2017

## Accountability Report: Directors Report

The Chief Executive as the Accounting Officer has personal responsibility and accountability to Parliament through Ministers and also to the Devolved Administrations in Scotland and Wales. In addition, he is responsible for the delivery of APHA services and resources, plus appointing and line managing the Directors, who also serve on the DLT. He is supported and challenged by the APHA Board and its Committees and is line managed by Defra's Director General (DG) for Food, Farming and Animal and Plant Health who acts on Ministers' behalf.

Full details on our board remits, governance structure and attendance records can be found on GOV.UK<sup>5</sup> and in our Governance Statement on pages 17 to 21.

Further details of our management structures can be found on pages 22 to 31 of this document where wider staffing arrangements for APHA are also explained.

**Complaints:** There have been 165 complaints across 2016/17. Complaints vary in subject. While we would hope to avoid such a situation arising in the first place, when problems do occur we follow our complaints process and aim to resolve all complaints quickly to ensure we reduce any time and/or distress for the complainant. Where this is not always possible, as was the case on one occasion this year, the Parliamentary Ombudsman can be asked by the complainant to take a view. This particular case was partly upheld due to some errors in communication, which the Agency deeply regrets and has issued an apology to the complainant concerned. APHA thanks the Ombudsman for their insight and is considering how best to implement the lessons learned from their recommendations.

**Whistleblowing:** APHA implements and follows the Defra whistleblowing policy which is reviewed annually by the APHA Audit, Risk and Assurance Committee. There have been no whistleblowing incidents in 2016/17.

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<sup>5</sup> <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/our-governance>

## Accountability Report: Financial Review

APHA has reported total comprehensive net expenditure of £154.7m for 2016/17 and a £5.0m revaluation surplus on property, plant and equipment. The net gain on revaluation on intangibles was £1.7m. Total comprehensive expenditure for the year was £148.0m.

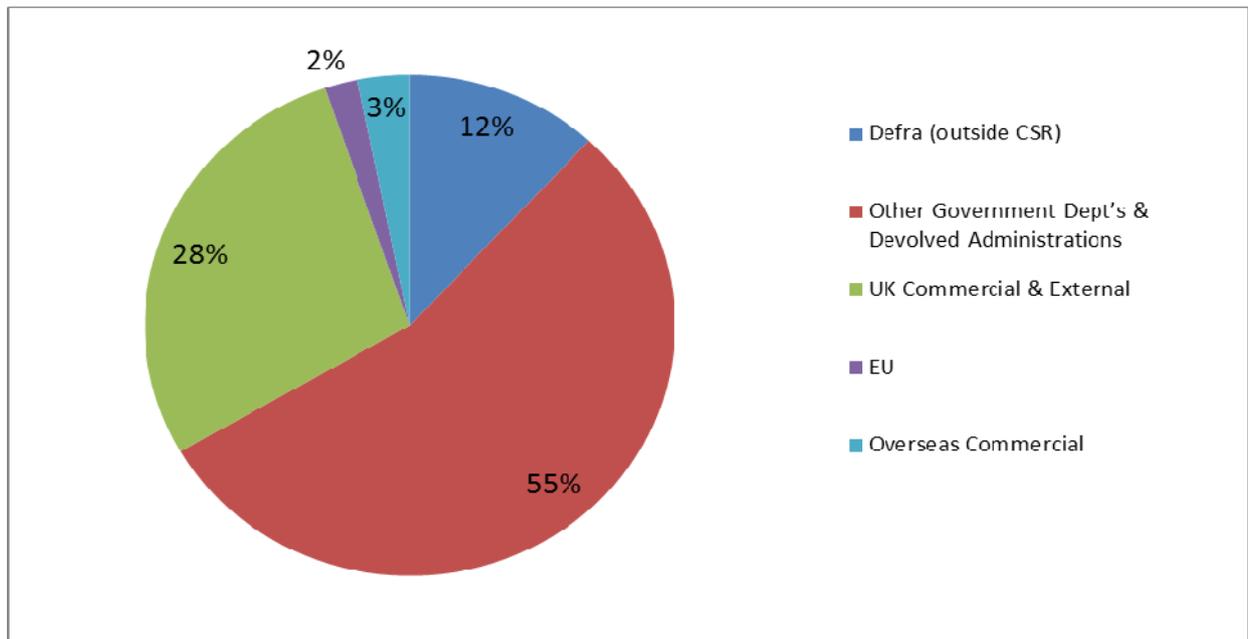
### *Income*

The income for the Agency was £62.6m in 2016/17. APHA was predominantly funded by Defra in line with the Comprehensive Spending Review (CSR). It also provided scientific and veterinary services to the Devolved Administrations (Welsh and Scottish Governments), the general public and commercial entities, as well as specific initiatives for Defra outside of CSR.

As of 1 April 2016, the way the Agency is funded by core Defra changed. Instead of funding being recorded as Income within the Income Statement, it is now treated as Equity under Parliamentary Funding. See Note 2 for further details.

The following table compares the proportional sources for 2016/17 and 2015/16:

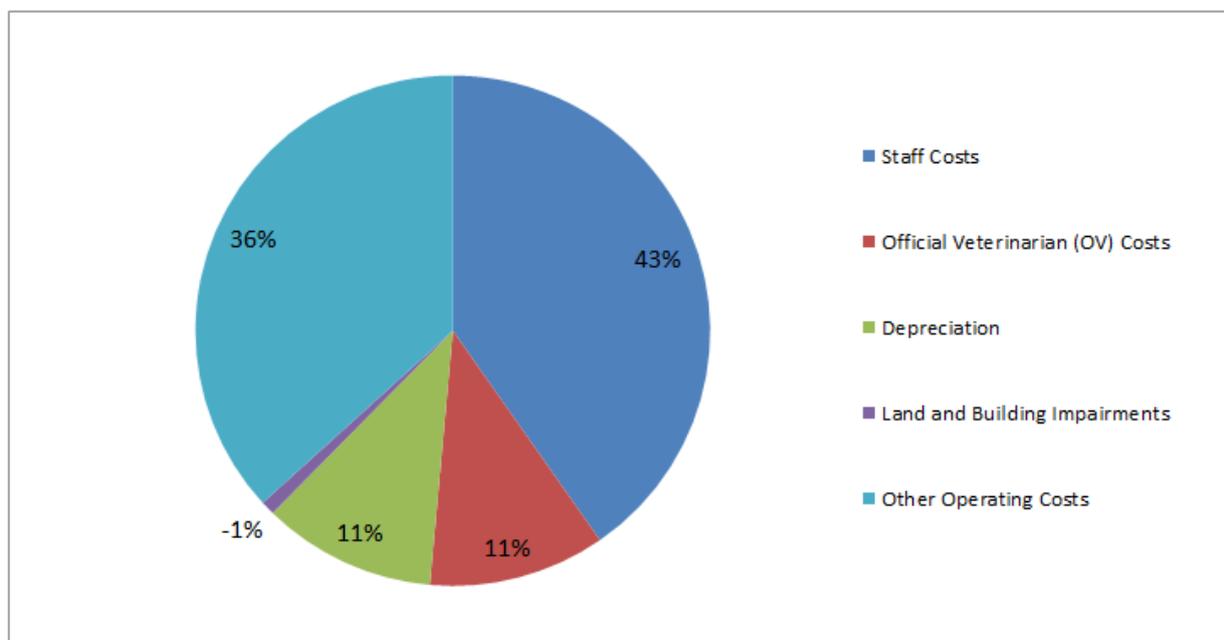
Income	2016/17		Restated 2015/16	
	£'000	%	£'000	%
Defra (outside CSR)	7,399	12%	12,199	18%
Other Government Dept's & Devolved Administrations	34,293	55%	36,924	54%
UK Commercial & External	17,642	28%	16,651	24%
EU	1,287	2%	605	1%
Overseas Commercial	1,969	3%	1,895	3%
	62,590	100%	68,274	100%



### Costs

Total operating expenditure for the year of £217.3m compared to £213.4m for 2015/16.

Expenditure	2016/17		2015/16	
	£'000	%	£'000	%
Staff Costs	91,073	43%	90,401	43%
Official Veterinarian (OV) Costs	24,963	11%	25,170	12%
Depreciation	24,513	11%	19,799	9%
Land and Building Impairments	(2,062)	-1%	(1,047)	-1%
Other Operating Costs	78,845	36%	79,040	37%
	217,332	100%	213,363	100%



### **Staff Costs**

The salary costs for 2016/17 decreased by £1.6m. A reduction of 29 staff was offset by an increase in employer's national insurance contributions of £1.4m. Employer pension contributions decreased by £0.3m, contractor costs reduced by £0.9m, and exit costs increased by £1.6 m to £2.6m. The staff leave accrual reduced by £0.1m.

### **Official Veterinarian Costs**

Official Veterinarian (OV) costs have reduced slightly due to weather conditions and results of testing and tracing.

### **Other Operating Costs**

Other operating costs for 2016/17 decreased by £0.2m predominantly due to decreased notional and hard charges of £1.0m with efficiency savings offset by increased cost due to the Asian Hornet and avian influenza outbreaks, at a total marginal cost of £2.2m.

### **Depreciation**

Depreciation and amortisation increased by £4.7m over the prior year, predominantly due to shortening the useful economic lives of three intangible assets to bring them in line with related assets. These assets related to Business Reform Programme (BRP), Veterinary Delivery Partnership (VDP) and MacDonald Review of Farming. This led to an increase in the annual amortisation charge.

### ***Land and Building Impairments***

The credit for land and building Impairments increased to £2.1m from £1.0m due to the market revaluation of the assets.

### ***Capital***

Capital expenditure of £3.2m in the year on non-current assets primarily relates to buildings at the Weybridge site (£2.1m) with the remainder being science equipment.

### ***Cashflow***

Cash and cash equivalents have reduced from £36.8m at 31 March 2016 to £14.2m at 31 March 2017. APHA has been following a policy of reducing its cash balances as it was holding more than required for operational reasons. The Agency drew down £67.5m from Defra as Parliamentary funding to cover its expenditure during the year.

In paying creditors, APHA 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 80% of undisputed invoices within five working days.

## **Accountability Report: Statement of Accounting Officers Responsibilities**

Under the Government Resources and Accounts Act 2000, HM Treasury has directed APHA to prepare for each financial year a Statement of Accounts in the form of 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 APHA and of its income and expenditure, changes in taxpayers' equity 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 APHA 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 APHA's assets, are set out in Managing Public Money, published by HM Treasury.

The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information, and to establish that the entity's auditors are aware of that information. As far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware.

It is the Accounting Officer's responsibility to ensure that the annual report and accounts as a whole is fair, balanced and understandable and he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

## Accountability Report: Governance Statement

**Governance Statement:** As Accounting Officer, I have responsibility for maintaining effective governance and a sound system of internal control to achieve the Agency's aims and objectives. This statement sets out the key challenges faced by APHA, the issues that have arisen, the risks that remain and the controls in place to manage these.

Assurance and audit findings in this governance statement overall confirm that arrangements are effective.

**Oversight by Department for Environment, Food and Rural Affairs (Defra):** APHA is an executive agency sponsored by Defra; with regular performance reports, risk assessments and other information provided to Defra through the year.

**Governance:** As Accounting Officer, I am accountable for the strategy and performance of the Agency; delivering the priorities set by the Secretary of State for Defra, and also those of the Scottish and Welsh Governments. Support and advice is provided to me on these issues by the APHA Board, which also provides scrutiny, challenge and support to the Executive.

During much of the past year, the Board has consisted mainly of executive members. As non-executive members' roles became vacant, replacements for some were not recruited.

The primary reason for the delay in recruitment has been Defra's continuing wider review of structure and governance across all executive agencies. Recognising that the situation was far from ideal from a governance perspective, contingency arrangements were made to appoint an experienced independent non-executive to chair the Audit and Risk Assurance Committee while a permanent replacement was being recruited. That latter appointment was made on 1 February 2017 and as a result the Board now has an independent non-executive member, who also chairs the Audit and Risk Assurance Committee.

Catherine Doran, a Defra non-executive, has acted as an intermediary between APHA and the Defra Board. During this period, I have chaired Board meetings as the Chief Executive, initially with the agreement of Defra's Chief Operating Officer and subsequently with that of the Director General (Food, Farming and Animal and Plant Health). According to APHA's framework agreement and based on advice from HM Treasury and Cabinet Office, this exceptional arrangement was properly approved. There has however been a period where it has been recognised that the lack of non-executive representation has weakened the effectiveness of the Board.

The intention is for a Chair and additional non-executives to be recruited in due course. The first of these will be a non-executive with scientific qualifications and experience.

**APHA Board and Committees of the Board:** In March 2016, the Board assessed its own performance, using a self-assessment questionnaire developed by the National Audit Office (NAO). It will repeat this process when all the new appointees are in place. The Board receives assurance on the quality of data it receives and the process of internal

control from both the Audit and Risk Assurance Committee and senior management of APHA.

During the year, APHA worked closely with Ministers but received no specific Ministerial directions.

During the past year, the Board has been supported by four committees:

- **Audit and Risk Assurance Committee**, chaired by Alison White (Nigel Reader between September and January; David Hughes between April and August). The Committee's remit covers risk assurance, control and governance in the Agency. It met four times during 2016/17. Anne Tutt is an external independent member of this Committee. The Audit and Risk Assurance Committee has dealt with the following major areas of work in 2016/17:
  - Regular review of APHA's risk management approach including a major finance systems upgrade
  - Counter fraud arrangements
  - The annual report and accounts
  - Internal and external audit plans and recommendations.
- **Strategic Health and Safety Committee**, chaired by me as Chief Executive. It oversees the implementation of APHA's health and safety strategy and met three times during 2016/17.
- **Science Advisory Board**, chaired by Kath Webster, Director of Scientific Services. It supports the Board and me as Accounting Officer in our responsibilities for the oversight and assurance of APHA's scientific work. It met three times during 2016/17.

Based on a recommendation from the Audit, Risk and Assurance Committee the Board has removed the Finance and Performance Committee<sup>6</sup>. Its primary remit will in future be carried out by the Board itself and subsidiary issues regarding risk and accounting will be properly assumed by the Audit and Risk Assurance Committee. This change will remove a degree of duplication and also clarifies accountability. Full details on the Board remit, governance structure, the remit of committees and advisory board and attendance records are available on GOV.UK<sup>7</sup>.

**Risk Management:** The role of the Agency is to mitigate the risk to the national economy and public health caused by animal and plant disease. Throughout the year the Agency has assessed how the achievement of its aims and objectives might be affected by the risks it faces. A system of internal control is in place which mitigates those risks; although it is not possible or cost effective to eliminate all risk completely.

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<sup>6</sup> The Finance and Performance Committee's remit included review of financial and non-financial performance. It met 10 times in 2016/17 and was chaired by David Hughes, Chris Hadkiss and Alison White.

<sup>7</sup> <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/our-governance>

The primary risks that were identified and managed during the past year were:

*Information technology:* The Agency is reliant on a varied portfolio of IT systems, many of which are aging, moving out of provider support or otherwise in need of replacement. A number of these are business critical and outages or a more fundamental failure would cause significant disruption, both internally and externally. It should be recognised, however, that while the aspiration is to replace and/or modernise these systems at the earliest opportunity, the appropriate balance has to be found between the risk of failure or breakdown and finding cost effective solutions within the context of wider Defra group priorities. These priorities and future operational requirements are undergoing further evaluation within the context of EU exit, and the proposed plan is still being considered. The Agency is recognised as being a critical customer of this process.

*The implementation of a single operating platform:* The implementation in May 2016 of a new single operating platform (SOP) managed by the shared services provider SSCL and based on Oracle 12, standardised HR, payroll, procurement and finance services across the Agency. There were some go-live issues which were not unexpected in a programme of this nature, but took some time to resolve. Contingency arrangements were in place throughout the implementation period to ensure that essential financial controls were maintained.

In order to give users of the services of SSCL greater assurance about the quality of SSCL's processes and controls, Cabinet Office engaged PricewaterhouseCoopers LLP (PwC) to review the controls and deliver an independent third party opinion of their design and operating effectiveness. PwC's audit was conducted following the International Standard on Assurance Engagements (ISAE 3402). The report for the year ended 31 March 2017 was qualified due to finding twenty two exceptions of which five were applicable to APHA.

Two of the five exceptions involved availability of an audit trail to evidence that certain control processes were undertaken. The exceptions were found during an interim audit and by the time of the final audit there were no such exceptions identified, with evidence duly filed ready for audit. Three of the exceptions involved IT system access where there was the possibility of inappropriate access by certain SSCL employees. The Agency has sought and received assurance that there was no such access and that there is an appropriate mitigation going forward.

I have considered the impact of these exceptions on the Agency's reliance on the accuracy and completeness of the financial transactions included in the financial statements for the year ended 31 March 2017, and have concluded that there is no material impact.

*Estate infrastructure:* The specialist nature of the scientific estate at the Weybridge site increasingly requires ongoing investment for the foreseeable future. Some of the critical facilities require renewal and/or replacement, and whilst investment capital has been made available to address the immediate issues, there will be the need during the next few years for further investment at a significant level. The Agency continues to work with Defra to

build the business case so that the necessary investment can be secured in due course but failure to achieve this within the required timescales would present a considerable risk to the future scientific capability of the Agency.

*Financial sustainability of the Agency:* The role of the Agency and the way it is funded is likely to change once the UK has left the EU. This will need to be clarified once the nature of EU exit is clear.

**Information Security Assurance:** The Agency holds a significant level of sensitive information commensurate with its size, statutory requirements and deemed essential for business delivery. There are data collection policy and controls in place which ensure access to information is managed correctly in accordance with the Data Protection and Freedom of Information Act. There is a Senior Information Risk Owner (SIRO) in place who ensures the overall management of such information. There have been no significant incidents of data loss involving personal information in 2016/17.

**Business Critical Models:** The Agency as recommended in the Macpherson report (2013)<sup>8</sup> and the follow-up report in 2015, ensures that an appropriate quality assurance framework is in place and is used for its business critical models.

The Agency continues to operate a business critical model for Defra. Exodis-FMD is a mathematical model which forms a critical part of Defra and APHA's preparation for and response to a Foot and Mouth (FMD) outbreak to evaluate a range of control strategies. It is used to generate simulated outbreaks for use in training and readiness exercises. The outputs can be fed into Defra's Economic Consequences Model so that the extent of the outbreak and the costs associated with different outbreak scenarios can be calculated and compared.

**Head of Internal Audit Opinion:** KPMG acted as the Agency's internal audit function. For 2016/17, KPMG gave an overall opinion of 'Moderate Assurance' for the Agency based upon their evidence from their audits and findings of other assurance providers. Their opinion is based on a scale of "unsatisfactory", "limited", "moderate" and "substantial".

Eleven audits were carried out by KPMG within this period:-

- Three of these gave "substantial" assurance ratings. (Health and Safety, Project Management and Commercial Income),
- Six resulted in "moderate" assurance ratings (Data Quality, Oracle Single Operating Platform, Core Financial Controls, Veterinary Delivery Partnership, Succession Planning and Core Financial controls).
- Two received 'Limited' assurance ratings, as follows:
  - Governance: the context for their assurance is covered in this Governance Statement.

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<sup>8</sup> <https://www.gov.uk/government/publications/review-of-quality-assurance-of-government-models>

- Official Food and Feed Controls: while the Agency has started to develop a formalised approach to obtaining assurances over the operation of Official Food and Feed Controls (including both internal and external assurance) this is currently still in its infancy and needs significant further development.

KPMG have noted the findings of the 2016/17 ISAE 3402 reports provided by PwC, the auditor of SSCL, which has provided a qualified opinion. In addition, they noted the limited assurance from the Government Internal Audit Agency review of the management of the Interserve contract to ensure laboratory site security which identified concerns in relation to the adequacy of security plans developed by Interserve and background checks of new security personnel. KPMG are satisfied that these findings do not impact upon their overall assurance opinion.

**Conclusion:** As Accounting Officer, I have considered the evidence provided regarding the production of the governance statement and the independent advice and assurance provided by the Audit and Risk Assurance Committee. I have concluded that the Agency has appropriate risk management and control systems in place and treats the challenge of governance extremely seriously.

Chris Hadkiss,  
APHA Chief Executive and Accounting Officer  
06 July 2017

## Accountability Report: Remuneration Report

**The Board:** The Board is responsible for supporting and constructively challenging our Executive Committee in the development of strategies, plans, business cases and targets, and for monitoring our business performance targets.

Chris Hadkiss	Chief Executive
Simon Hall	Veterinary Director
Helen Crews	Plant Health Director (to 30 June 2016)
Kirsty Shaw	Director of Service Delivery
Kath Webster	Director of Scientific Services
Claire Evans	Director of Corporate Service (to 5 January 2017)
Dave Webster	Defra Finance Director with responsibility for APHA (from 1 December 2016)
Nicola Spence	Chief Plant Health Officer, Non-Aligned Director
Nigel Gibbens	Chief Veterinary Officer, Non-Aligned Director
Jill Moray	Defra HR Director with responsibility for APHA
Nigel Reader <sup>9</sup>	Independent Non-Executive Chair of Audit & Risk Committee (from 6 September 2016)
David Hughes	Independent Non-Executive Director (to 3 August 2016)
Anne Tutt	Independent Non-Executive Member of Audit & Risk Committee (does not sit on the APHA Board)
Alison White	Independent Non-Executive Chair of Audit & Risk Committee (from 1 February 2017)

**Directorate Leadership Team:** The Executive Committee (renamed Directorate Leadership Team) is responsible for day-to day leadership and management, and for ensuring that our strategic direction is appropriate to meet the requirements of our customers and to deliver our targets.

Chris Hadkiss	Chief Executive
Simon Hall	Veterinary Director
Helen Crews	Plant Health Director (to 30 June 2016)
Kirsty Shaw	Director of Service Delivery
Kath Webster	Director of Scientific Services
Claire Evans	Director of Corporate Service (to 5 January 2017)
Dave Webster	Defra Finance Director with responsibility for APHA (from 1 December 2016)
Jill Moray	Defra HR Director with responsibility for APHA

<sup>9</sup> Nigel Reader is a Non-Executive Board Member with Natural England (NE), on the Joint Nature Conservation Committee (JNCC) and with the Marine Management Organisation (MMO). He also provided cover as interim ARC chairperson until the appointment of Alison White. He will be acting as NED for APHA until after the ARA sign off.

**Remuneration Policy:** Defra's Senior Civil Service Pay Committee, chaired by the Permanent Secretary, determines the remuneration and performance conditions of the APHA 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 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.
- 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](http://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 the non-executive directors, the APHA Board members at 31 March 2017 hold open-ended appointments until they reach normal retirement age. The employment of the Chief Executive and of the other APHA 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. The non-executive directors are engaged on three year fixed term contracts which may be subject to early termination by either party. Any early termination by APHA would be without compensation to the NED

The non-aligned Directors receive their remuneration from Defra, there is no cost to APHA.

**Equal Opportunities and Corporate Social Responsibility:** As part of the Defra People Strategy, we will:

- Enhance the visibility of under-represented groups across all grades and job types, to better reflect the society we serve.
- Improve social mobility across the Civil Service and embed the Talent Action Plan to enable everyone to reach their potential.
- Ensure employee policies are reviewed by Defra on an annual basis.

Under the Equality Act 2010, APHA has a duty to take action to promote equality of opportunity (on grounds of disability, gender, race, age, gender–reassignment, marriage and civil partnerships, pregnancy and maternity, religion or belief and sexual orientation) in policy-making, the delivery of services and employment.

APHA aims to be a diverse and inclusive Agency that can attract and retain talented people from the widest range of backgrounds and offer all our employees equality of opportunity to progress and achieve their potential on merit. At March 2017 there were 60 female senior managers and 101 senior male managers, and two female Directors and two male Directors.

We participate in a recruitment system that, guarantees an interview to any candidate who has declared a disability and meets the minimum essential criteria for the post. In addition, 'Unconscious Bias' is a mandatory e-learning course for all employees who recruit, interview and manage the performance of others. The aim of the training is to raise awareness and support all of our employees in becoming diversity confident.

We actively consider temporary and permanent reasonable adjustments to enable every individual to be fully effective in their employment, training, career development and promotion. Disability leave is also available, which provides paid time off work for the purposes of assessment, treatment and rehabilitation for disabled employees.

Our Chief Executive is Defra's Diversity Champion and actively challenges APHA's managers; ensuring the needs of all staff and prospective employees remain in sharp focus and support mechanisms are in place where required.

Sickness absence is closely monitored and policies are in place to reduce absence and to support people so that they can remain at work, including return-to-work interviews and occupational health advice. In addition to this, counselling information, training and advisory services are available through our contracted Employee Assistance Programme, or our internal Wellbeing Advisor; during 2016/17 an average of 4.91 days per employee was lost to sickness absence across APHA, which compares to 4.50 in 2015/16.

## Remuneration of Non-Executive Directors (Audited)

Name	Date of appointment	Period of appointment	Remuneration 2016/17 (£'000)	Remuneration 2015/16 (£'000)
Nigel Reader	06-Sep-16	10 months	0-5	-
David Hughes (to 3 August 2016)	01-Oct-14	22 months	5-10	15-20
Anne Tutt <sup>10</sup>	01-Nov-14	3 years	0-5	0-5
Alison White	01-Feb-17	3 years	0-5	-

The appointment date shown for David Hughes is the date of reappointment as non-executive director for APHA, this was the continuation of his role as a non-executive director for AHVLA. Remuneration shown is for the whole of 2016/17.

## Remuneration and Pension Entitlements (Audited)

The emoluments and pension entitlements of the APHA Board members in 2016/17 were as follows (2015/16 in italics):

	Salary Banding	Bonus Banding	Benefits in kind	Pensions Benefits <sup>11</sup>	Total
	£'000	£'000	Nearest £100	£'000	£'000
Chris Hadkiss	130-135 <i>(130-135)</i>	0 <i>(10-15)</i>	0 <i>(0)</i>	38 <i>(67)</i>	165-170 <i>(210-215)</i>
Simon Hall	80-85 <i>(75-80)</i>	0 <i>(0)</i>	0 <i>(0)</i>	14 <i>(19)</i>	95-100 <i>(95-100)</i>
Helen Crews (to 30 June 2016)	15-20 FTE 70-75 <i>(70-75)</i>	0 <i>(0)</i>	0 <i>(0)</i>	(3) <i>(72)</i>	15-20 FTE 70-75 <i>(145-150)</i>
Kirsty Shaw	90-95 <i>(90-95)</i>	10-15 <i>(10-15)</i>	6,700 <i>(1,200)</i>	35 <i>(62)</i>	140-145 <i>(160-165)</i>
Kath Webster	75-80 <i>(75-80)</i>	10-15 <i>(0)</i>	0 <i>(0)</i>	14 <i>(28)</i>	100-105 <i>(100-105)</i>
Claire Evans (to 5 January 2017)	45-50 FTE 100-105 <i>(90-95)</i> FTE 100-105	0 <i>(0)</i>	0 <i>(0)</i>	16 <i>(35)</i>	60-65 FTE 115-120 <i>(125-130)</i> FTE 135-140
Dave Webster (from 1 December 2016)	35-40 FTE 110-115 <i>(0)</i>	0 <i>(0)</i>	0 <i>(0)</i>	(33) <i>(0)</i>	0-5 FTE 75-80 <i>(0)</i>

Emoluments include gross salary, bonuses and other allowances to the extent that they are subject to United Kingdom taxation. Remuneration and pension figures shown are for the whole of 2016/17 for APHA.

Dave Webster is included above, as although paid by Defra, he is a member of the management board and is deemed to be in a position to influence APHA decisions. Jill Moray is not a member of the board.

<sup>10</sup> Anne Tutt's remuneration is paid through Defra payroll rather than APHA as she was also a member of the Defra Audit & Risk Committee

<sup>11</sup> The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase increases exclude increases due to inflation or any increase or decrease due to transfer of pension rights

**Salary:** 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

**Benefits in kind:** The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument.

**Pay Multiples:** Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the Cash Equivalent Transfer Value (CETV) of pensions.

The calculation is based on the annualised, full-time equivalent of staff in post as at the reporting date.

The banded remuneration of the highest paid director in 2016/17 was £130,000 to £135,000 (2015/16: Full time equivalent £140,000 to £145,000). This was 5.0 times (2015/16: 5.5 times) the median remuneration of the workforce, which was £26,156 (2015/16: £26,087).

Remuneration of staff in 2016/17 was in the range £16,790 to £131,040 (2015/16: £16,450 to £144,040). In 2016/17, no members of the workforce received full-time equivalent remuneration in excess of the highest paid director (2015/16: None).

### Pension Benefits (Audited)

	Accrued pension at pension age as at 31 March 2017	Accrued lump sum at pension age as at 31 March 2017	Real increase in pension and related lump sum at pension age	CETV at 31 March 2017	CETV at 31 March 2016	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
<b>Directors on the APHA Board as at 31 March 2017</b>							
Chris Hadkiss	80 - 85	0 - 5	0 - 2.5	1169	1096	24	0
Simon Hall	25 - 30	75 - 80	2.5 - 5	564	527	13	0
Helen Crews (to 30 June 2016)	30 - 35	95 - 100	0 - 2.5	700	699	(3)	0
Kirsty Shaw	20 - 25	50 - 55	0 - 2.5	321	291	14	0
Kath Webster	30 - 35	0 - 5	0 - 2.5	580	544	11	0
Claire Evans (to 5 January 2017)	5 - 10	0 - 5	0 - 2.5	100	89	9	0
Dave Webster (from 1 December 2016)	65 - 70	(5) - 0	0 - 2.5	1170	1161	(29)	0

Dave Webster is included above, as although paid by Defra, he is a member of the management board and is deemed to be in a position to influence APHA decisions. Jill Moray is not a member of the board.

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 APHA 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 APHA. All funding, to finance the deferred remuneration that the accrued pension benefits represent, is paid to the Treasury. Further information on these pension schemes is provided in the Staff Report.

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

**Review of Tax Arrangement of Public Sector Appointees:** As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arms length bodies must publish information on highly paid and senior off-payroll engagements. The following data is required to be reported.

- Off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months

<b>Number of existing engagements as of 31 March 2017</b>	<b>8</b>
Of which:	
Number that have existed for less than one year at time of reporting	<b>4</b>
Number that have existed for between one and two years at time of reporting	<b>0</b>
Number that have existed for between two and three years at time of reporting	<b>3</b>
Number that have existed for between three and four years at time of reporting	<b>0</b>
Number that have existed for four or more years at time of reporting	<b>1</b>

- Off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months.

<b>Number of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017</b>	<b>4</b>
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	<b>4</b>
Number for whom assurance has been requested	<b>4</b>
Of which:	
Number for whom assurance has been received	<b>2</b>
Number for whom assurance has not been received	<b>2</b>
Number that have been terminated as a result of assurance not being received <sup>12</sup>	<b>1</b>

- Off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017.

Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	<b>0</b>
Total number of individuals <b>on payroll and off payroll</b> that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both on-payroll and off-payroll engagements	<b>14</b>

As far as I am aware, as the Accounting Officer for APHA, there is no relevant audit information of which the Agency’s auditors are unaware. I have taken all steps possible to ensure that all required information has been supplied to the auditors. The accounts are audited by the Comptroller and Auditor General for which the Agency incurs a notional charge of £200k for 2016/17 (2015/16 £200k).

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<sup>12</sup> One individual left prior to assurance being received.

## Accountability Report: Staff Report

### Staff Costs (Audited)

	2016/17	2015/16
	£'000	£'000
Salaries	65,948	67,581
Employer's National Insurance Contributions	6,585	5,122
Employer's Pension Contributions	13,492	13,756
	<hr/>	<hr/>
	86,025	86,459
Contractor Costs	2,459	3,401
Staff Exit Costs	2,640	958
Staff Leave Accrual Movement	(51)	(417)
	<hr/>	<hr/>
	91,073	90,401

APHA has no consultancy spend for the year ended 31 March 2017.

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 £715k (2015/16: £1,741k) have been capitalised. These are included within the additions to IT Software and Assets in the Course of Construction shown in Note 7 – Intangible Assets.

Under IAS 19 Employee Benefits, an accrual has been established for staff leave due, but not taken at 31 March 2017; this employee benefit is payable in 2017/18.

#### *Pension Contributions*

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but APHA is unable to identify its share of the underlying liabilities. The Government Actuary's Department assesses the scheme liabilities, assumptions and financial position each year. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation: (<http://www.civilservicepensionscheme.org.uk/>).

In 2016/17, employer's contributions of £13,220k were payable to the PCSPS (2015/16: £13,492k) at one of four rates in the range 20.0% to 24.5% 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 2015/16. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. A new pension scheme, alpha, was introduced from 1 April 2015. The majority of Principal Civil Service Scheme

members (includes classic, classic plus, premium and nuvos) will have moved to alpha. Most new members will also join alpha.

Employees can opt to open a partnership pension or a stakeholder pension with an employer contribution. Employer's contributions of £263k (2015/16: £256k) were paid to appointed stakeholder pension providers. Employer contributions are age related and range from 8% to 14.75% of pensionable pay. APHA also matches employee contributions up to 3% of pensionable pay. In addition, employer contributions of £Nil (2015/16: £Nil) 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 employees. Contributions due to the partnership pension providers at the 31 March 2017 were £9k (2015/16: £8k).

Three members of staff (2015/16: Three) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £4.5k (2015/16: £Nil).

### Average Number of Persons Employed (Audited)

Average Number of Full Time Equivalent Staff	2016/17	2015/16
	FTE	FTE
Science Staff	453	463
Veterinary Staff	318	322
Technical Staff	251	257
Administrative and Managerial Staff (All Disciplines)	927	927
Inspectorate Staff	191	200
	2,140	2,169

	2016/17	2015/16
	FTE	FTE
Permanent	2,047	2,028
Fixed Term Contracts	34	93
Casual and Temporary	59	48
	2,140	2,169

APHA has six senior civil service staff with five band 1 staff and one band 2 staff.

The remuneration and emoluments of the APHA Board are set out in the Remuneration Report starting on page 22 of this annual report.

## Reporting of Civil Service and Other Compensation Schemes – Exit Packages (Audited)

During the year 39 employees left APHA under early release schemes, with a further 41 agreeing to do so by 31 March 2018. The details are as shown in the table below, the full cost of £2,640k was included in the 2016/17 accounts.

Exit Package Cost Band	Total number of exit packages by cost band 2016/17	Total number of exit packages by cost band 2015/16
<£10,000	0	0
£10,000 - £25,000	27	8
£25,000 - £50,000	41	5
£50,000 - £100,000	11	9
£100,000 - £150,000	1	0
£150,000 - £200,000	0	0
£200,000>	0	0
<b>Total number of exit packages by type</b>	<b>80</b>	<b>22</b>
2015/16 Accrual Released	(166)	0
<b>Total resource cost (£'000)</b>	<b>2,640</b>	<b>958</b>

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 that the exit package is agreed. Where the employer has agreed early retirements, the additional costs are met by the employer 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.

There were no compulsory redundancies during 2016/17 (2015/16: Nil).

# Accountability Report: Parliamentary Accountability Report

## Regularity of Expenditure (Audited)

The Accountable Officer and the APHA board are able to identify any material irregular or improper use of funds by the department, or material non-compliance use of funds.

There have been no instances of material irregularity, impropriety or funding non-compliance discovered during the financial year. If any instances are identified after the date of this statement, these will be notified to the APHA board and to Defra.

## Fees and Charges (Audited)

APHA's fees and charges are approved by Ministers, and then set in statute. Our objective for charging is to ensure that we recover our costs for delivering the service. There has been a phased introduction and as of yet we are not at full cost recovery.

There were no areas identified in the year where we have overcharged. However, we have identified some areas within the Animal Health Regulations, Plant Health Regulations and Disease of Animals where we have undercharged our customers by £1.3m due to not being able to fully charge for all elements of the service provided without a change to statute. The table below sets out the amount of income we have received across the different areas of service which APHA provides.

	Total income received £'000	Total expenditure £'000
Animal Health Regulations 2013	1,277	2,249
The Plant Health Regulations 2014	8,366	8,702
The Disease of Animals (Approved Disinfectants) 2011	212	242
The Poultry Compartments Order 2010	31	31
The Welfare of Wild Animal in Travelling Circuses 2012	6	6
Wildlife and Countryside Act 1982	16	16
Total	<b>9,908</b>	<b>11,246</b>

## Remote Contingent Liabilities (Audited)

APHA does not have any remote Contingent Liabilities in 2016/17; this was the same in 2015/16.

## Losses and Special Payments (Audited)

<b>Special Payments</b>	<b>2016 / 17</b>	<b>2015 / 16</b>
Cases	3	7
Cost (£'000)	309	(168)

Special payments relate to legal costs and the settlement of any claims against APHA. A single medical claim relating to a former employee of MAFF (Ministry of Agriculture, Fisheries and Food) was settled in 2016/17 at a total cost of £307k. The credit balance in 2015/16 relates to the release of provisions no longer required.

<b>Losses</b>	<b>2016 / 17</b>	<b>2015 / 16</b>
Cases	1	18
Cost (£'000)	33	133

Chris Hadkiss,  
APHA Chief Executive and Accounting Officer  
06 July 2017

# **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of the Animal and Plant Health Agency for the year ended 31 March 2017 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, Staff Report and the Parliamentary Accountability Report that is described in those reports and disclosures 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 Chief Executive as 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 and Plant Health Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Animal and Plant Health Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword, Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Animal and Plant Health Agency's affairs as at 31 March 2017 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 parts of the Remuneration Report, Staff Report and the Parliamentary Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Foreword, Performance Report and Accountability 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**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration Report, Staff Report and the Parliamentary Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria,  
London  
SW1W 9SP

**12 July 2017**

# Financial Statements

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

ADMINISTRATION COSTS	Note	Restated		
		2016/17	2015/16	2015/16
		£'000	£'000	£'000
Staff Costs		91,073	90,401	90,401
Other Administrative Costs				
Official Veterinarian Costs	4	24,963	25,170	25,170
Other Operating Costs	4	101,296	97,792	97,792
Total Expenditure		<u>217,332</u>	<u>213,363</u>	<u>213,363</u>
Operating Income	5	(62,590)	(68,274)	(214,971)
Total Income		<u>(62,590)</u>	<u>(68,274)</u>	<u>(214,971)</u>
Total Comprehensive Net Expenditure / (Income)		<u>154,742</u>	<u>145,089</u>	<u>(1,608)</u>
<b>OTHER COMPREHENSIVE EXPENDITURE</b>				
Net gain on revaluation of Property, Plant and Equipment		(4,997)	(20,186)	(20,186)
Net gain on revaluation of Intangibles		(1,730)	(476)	(476)
Total Comprehensive Expenditure / (income)		<u>148,015</u>	<u>124,427</u>	<u>(22,270)</u>

All income and expenditure is derived from continuing operations.

The notes on pages 41 to 63 form part of these financial statements.

Chris Hadkiss,  
APHA Chief Executive and Accounting Officer  
06 July 2017

## Statement of Financial Position as at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
<b>Non Current Assets</b>			
Property, Plant and Equipment	6	272,047	273,078
Intangible Assets	7	25,490	37,587
<b>Total Non Current Assets</b>		<b>297,537</b>	<b>310,665</b>
<b>Current Assets</b>			
Inventories		1,933	2,071
Trade and Other Receivables	9	6,391	4,619
Other Current Assets	9	7,020	8,503
Cash and Cash Equivalents	10	14,178	36,806
<b>Total Current Assets</b>		<b>29,522</b>	<b>51,999</b>
<b>Total Assets</b>		<b>327,059</b>	<b>362,664</b>
<b>Current Liabilities</b>			
Trade and Other Payables	11	(5,172)	(4,614)
Other Liabilities	11	(18,303)	(18,783)
Provisions	13	(26)	(2,406)
<b>Total Current Liabilities</b>		<b>(23,501)</b>	<b>(25,803)</b>
<b>Total Assets less Current Liabilities</b>		<b>303,558</b>	<b>336,861</b>
<b>Non Current Liabilities</b>			
Lease Obligations	12	-	(659)
Provisions	13	-	(1,098)
		-	(1,757)
<b>Assets less Liabilities</b>		<b>303,558</b>	<b>335,104</b>
<b>Taxpayers' Equity</b>			
General Fund		181,347	216,086
Revaluation Reserve		122,211	119,018
<b>Total Taxpayers' Equity</b>		<b>303,558</b>	<b>335,104</b>

The notes on pages 41 to 63 form part of these financial statements.

Chris Hadkiss,  
 APHA Chief Executive and Accounting Officer  
 06 July 2017

## Statement of Cash Flows for the year ended 31 March 2017

		Restated	
	2016/17	2015/16	2015/16
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
Net Operating Income / (Expenditure)	(154,742)	(145,089)	1,608
Adjustments for non-cash transactions	69,729	65,194	65,194
(Profit) / Loss on disposal of non current assets	(57)	(83)	(83)
(Increase) / Decrease in trade and other receivables	(289)	41,050	41,050
Decrease in inventories	138	1,928	1,928
Increase / (Decrease) in trade payables	78	(32,701)	(32,701)
IFRIC 12 IBM Asset Movement	165	221	221
Provisions Provided	(3,478)	(970)	(970)
<b>Net Operating Costs excluding Notional and Non-Cash Costs</b>	<b>(88,456)</b>	<b>(70,450)</b>	<b>76,247</b>
Non-Cash Adjustments	3	4,273	4,273
<b>Net cash outflow from operating activities</b>	<b>(88,453)</b>	<b>(66,177)</b>	<b>80,520</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(366)	(5,233)	(5,233)
Purchase of intangible assets	(722)	(2,910)	(2,910)
Proceeds from the disposal of non current assets	72	2,753	2,753
<b>Net cash outflow from investing activities</b>	<b>(1,016)</b>	<b>(5,390)</b>	<b>(5,390)</b>
<b>Cash flows from financing activities</b>			
Net cash requirement received / (Paid) from Defra	67,500	70,678	(76,019)
(Decrease) / Increase in non current lease obligations	(659)	(813)	(813)
<b>Net financing</b>	<b>66,841</b>	<b>69,865</b>	<b>(76,832)</b>
<b>Change in Cash and Cash Equivalents</b>			
At 1 April	36,806	38,508	38,508
(Decrease) / Increase in cash	(22,628)	(1,702)	(1,702)
<b>At 31 March</b>	<b>14,178</b>	<b>36,806</b>	<b>36,806</b>

The notes on pages 41 to 63 form part of these financial statements.

Chris Hadkiss,  
 APHA Chief Executive and Accounting Officer  
 06 July 2017

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

Restated	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 1 April 2015</b>		230,765	105,694	336,459
Transfers between reserves		7,338	(7,338)	-
Non-Cash Charges - notional charges	4	46,442	-	46,442
Non-Cash Adjustments		5,952	-	5,952
Comprehensive Net Expenditure for the Year		(145,089)	-	(145,089)
Net Gain on Revaluation of Property, Plant and Equipment	6	-	20,186	20,186
Net Gain on Revaluation of Intangible Assets	7	-	476	476
Parliamentary Funding Received		146,697	-	146,697
Parliamentary Funding Repaid		(76,019)	-	(76,019)
<b>Balance at 31 March 2016</b>		216,086	119,018	335,104
Transfers between reserves		3,534	(3,534)	-
Non-Cash Charges - notional charges	4	47,278	-	47,278
Non-Cash Adjustments		1,691	-	1,691
Comprehensive Net Expenditure for the Year		(154,742)	-	(154,742)
Net Gain on Revaluation of Property, Plant and Equipment	6	-	4,997	4,997
Net Gain on Revaluation of Intangible Assets	7	-	1,730	1,730
Parliamentary Funding Received		67,500	-	67,500
Parliamentary Funding Repaid		-	-	-
<b>Balance at 31 March 2017</b>		181,347	122,211	303,558

The notes on pages 41 to 63 form part of these financial statements.

Chris Hadkiss,  
 APHA Chief Executive and Accounting Officer  
 06 July 2017

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 1 April 2015</b>		230,765	105,694	336,459
Transfers between reserves		7,338	(7,338)	-
Non-Cash Charges - notional charges	4	46,442	-	46,442
Non-Cash Adjustments		5,952	-	5,952
Comprehensive Net income for the Year		1,608	-	1,608
Net Gain on Revaluation of Property, Plant and Equipment	6	-	20,186	20,186
Net Gain on Revaluation of Intangible Assets	7	-	476	476
Parliamentary Funding Received		0	-	0
Parliamentary Funding Repaid		(76,019)	-	(76,019)
<b>Balance at 31 March 2016</b>		216,086	119,018	335,104
Transfers between reserves		3,534	(3,534)	-
Non-Cash Charges - notional charges	4	47,278	-	47,278
Non-Cash Adjustments		1,691	-	1,691
Comprehensive Net Expenditure for the Year		(154,742)	-	(154,742)
Net Gain on Revaluation of Property, Plant and Equipment	6	-	4,997	4,997
Net Gain on Revaluation of Intangible Assets	7	-	1,730	1,730
Parliamentary Funding Received		67,500	-	67,500
Parliamentary Funding Repaid		-	-	-
<b>Balance at 31 March 2017</b>		181,347	122,211	303,558

The notes on pages 41 to 63 form part of these financial statements.

Chris Hadkiss,  
 APHA Chief Executive and Accounting Officer  
 06 July 2017

# Notes to the Accounts

## 1. Statement of accounting policies

### 1.1.1. Basis of Preparation

The financial statements have been prepared in accordance with the 2016/17 Government Financial Reporting Manual (FRoM) issued by HM Treasury.

The accounting policies in the FRoM adapt and interpret International Financial Reporting Standards (IFRS), for the public sector and comply with the guidelines issued by the International Financial Reporting Interpretations Committee.

Where the FRoM permits a choice of accounting policy, these accounts follow the treatment which is most appropriate to give a true and fair view for APHA. The policies adopted by APHA are described in this statement. These policies have been applied consistently in dealing with items that are considered material in relation to the accounts.

### 1.2. Accounting Convention

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

### 1.3. Significant Judgements and Estimation Uncertainty

The following areas represent significant judgements that APHA has made in applying the accounting policies:

- The useful economic lives of assets that form the basis of periods over which property, plant and equipment is depreciated (reported in notes 4 and 6) and intangible assets are amortised (reported in notes 4 and 7).
- The impairment of property, plant and equipment, and intangible assets (reported in notes 4, 6 and 7).
- Non-current assets are valued at current replacement cost as described in notes 1.7.2. Indexation rates published by the Office for National Statistics are used as a basis for estimating current replacement cost.
- An estimate is included in the accounts for tests which the Official Veterinarians have undertaken, but have not been concluded at the end of March. The estimate is based upon the volume of tests allocated to Official Veterinarians in March, and using historical test costs.
- APHA receives monies for undertaking scientific projects. These projects often span financial years and as such APHA estimates the income and expenditure relating to this financial year, and the deferred income needed to complete the project.
- Provisions include an estimate of future liabilities based on information available when the accounts are approved (see note 13).
- The annual leave accrual is calculated on annual leave balances as recorded at the time of the production of the accounts.

#### **1.4. Income Recognition**

Income disclosed in the accounts represents revenue received and receivable during the accounting period for the permitted functions of APHA.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

From 1 April 2016, instead of funding being recorded as income it is now treated via equity under Parliamentary funding. Further details are to be found in note 2. This is a change in accounting policy and as a result the financial statements and notes have been restated for 2015/16.

#### **1.5. Expenditure on Goods and Services**

Expenditure on goods and services is recognised when, and to the extent that, they have been received. It is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

#### **1.6. Expenditure on Employee Benefits**

##### **1.6.1. Short-term employee benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

##### **1.6.2. Pension costs**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The scheme is an unfunded, defined benefit scheme. It is not possible for APHA to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme. Employer's pension cost contributions are charged to operating expenditure on an accruals basis.

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.

Additional pension liabilities arising from early retirements are not funded by the scheme and the Agency meets the additional cost. Although the Early Departure Provision for additional pension costs is a liability of APHA, it is actually paid by Defra.

Pension arrangements are described in the Staff Report.

## **1.7. Non-Current Assets**

### **1.7.1. Recognition**

Property, Plant and Equipment is capitalised in the month expenditure is incurred when:

- it is held for use in delivering services or for administrative purposes;
- it is expected to be used for more than one financial year end;
- the cost of the item can be measured reliably;
- it individually has a cost of at least £10,000; or
- it collectively has a cost of at least £10,000 where the assets are functionally interdependent; the individual items have broadly simultaneous disposal dates and are under single managerial control.

During the year, APHA raised its capitalisation limit from £2k to £10k in line with group policy.

APHA occupies both specialist laboratory and general administrative accommodation. Although ownership of both types of property lies with Defra, as APHA derives direct economic benefit from the specialist accommodation which allows for the charging of tests and research, these properties are included in the SoFP of APHA. The split of this disclosure is made on a site by site basis and includes sites where APHA has enhanced a property originally held by Defra under the terms of an operating lease in order to bring that property to a condition fit for purpose for APHA's operations.

General administrative accommodation does not provide APHA with any economic benefit and 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 attached 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 buildings at the main laboratory site at Weybridge and at any of the Regional Laboratories are Civil Estate property.

### **1.7.2. Measurement**

#### **1.7.2.1. Valuation of Property, Plant and Equipment**

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Freehold land and buildings 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 Institution of Chartered Surveyors (RICS), the last revaluation having taken place in 2015 by Montagu Evans, which covered all freehold land and buildings.

Property values are revised annually by means of a desktop review undertaken by Defra's appointed valuer, where every valuation is reviewed having regard to local and national indices and local knowledge. This professional independent valuation adheres to the principles outlined in the RICS Red Book.

Every 5 years, when the land and buildings are professionally revalued, the accumulated depreciation is reset to zero, whereas the revaluation in the intervening years is adjusted through both cost and depreciation.

The value of non-property tangible assets is revised monthly to current replacement cost, which equates to fair value, by using appropriate indices provided by the Office for National Statistics.

APHA transfer revaluation reserves to meet the costs of excess depreciation charges in the general fund.

Assets in the course of construction are not revalued until the asset concerned is brought into service.

#### **1.7.2.2. Valuation of Intangible Assets**

Software licences are valued at historic cost. They are capitalised where the licence period is for more than one year and the cost is greater than £10,000. Software licences are amortised over the term of the licence or their useful economic life, if shorter.

Internally generated software and software licences are regularly revalued by using appropriate indices provided by the Office for National Statistics.

Assets in the Course of Construction are not depreciated or revalued until the asset concerned is brought into service. Assets in the Course of Construction usually relate to internally developed computer software and systems costing in excess of £50,000. The cost of the asset includes capitalisation of contractor costs.

#### **1.7.2.3. Subsequent Expenditure**

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

#### **1.7.2.4. Research and Development**

APHA's expenditure on research activities is written off to the SoCNE as it is incurred in view of the uncertainty surrounding the economic benefit resulting from it. The Agency carries out research into animal related diseases on behalf of Defra. Capitalisation of development costs is contingent on fulfilling the criteria in IAS 38 (Intangible Assets).

#### **1.7.3. Depreciation and Amortisation**

Land and properties under construction are not depreciated. Assets in the course of construction are not depreciated until the asset is available for use.

Otherwise, depreciation and amortisation are charged on a straight line basis to write off the costs or valuation of tangible and intangible non-current assets, less any residual value, over their estimated lives. The estimated useful economic life of an asset is the period over which the Agency expects to obtain economic benefits or service potential from the asset. This is specific to the Agency and may be shorter than the physical life of the asset itself. The estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

Useful economic lives applied for depreciation charges

Buildings	5 - 60 years
Office Equipment and Furniture	5 - 15 years
IT Assets	2 - 20 years
Plant and Motor Vehicles	5 - 15 years
Scientific Equipment	5 - 10 years

A full month's depreciation is charged to the SoCNE in the month of acquisition and assets are not depreciated in the month of disposal.

Useful economic lives applied for amortisation charges

Software Licences	1 - 15 years
Internally Generated Software	1 - 15 years

Amortisation of Intangible Assets 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.

The Agency does not hold any intangible assets with an indefinite useful life.

**1.7.4. Impairment**

APHA reviews its assets annually to identify those where the recoverable amount of assets falls below their carrying amount. The treatment of any impairment losses is dependent on whether they are result of:

- Consumption of economic benefit or reduction in service potential – if this is the case the loss is taken to the SoCNE.
- A change in market value – in this case the fall in value will first be offset against the accumulated balance in the revaluation reserve (if any), and once that element of the reserve is exhausted the remainder of the fall in value will be taken to the SoCNE.

**1.8. Service Concession Arrangements (IFRIC 12)**

Defra has entered into a contract with IBM for the supply of IT services, and APHA is party to this contract. The contract was for a term of eight years from February 2010, now extended to July 2019. The contract falls within the scope of IFRIC 12 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 contract. The liability is now zero due to the purchase of the assets. A matching asset was raised to reflect the benefit that APHA derived from having

access to IBM's IT infrastructure assets. This asset was disposed of by APHA in 2016/17 due to the purchase of the asset by Defra in March 2017. Depreciation was applied on a straight line basis consistent with APHA's depreciation policy.

### **1.9. 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 determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. APHA evaluates contractual arrangements in accordance with the above criteria as laid down in IAS 17.

Operating leases and the rentals thereon are charged to the SoCNE on a straight-line basis over the term of the lease. Where APHA occupies a property that is leased by Defra, there is a future commitment that is consistent with arrangements containing a lease as defined by IFRIC 4.

### **1.10. Inventory**

Inventory, which consists of veterinary and scientific consumables and stocks of both raw and finished reagents, is stated at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method. This is considered to be a reasonable approximation to fair value due to the high turnover of stock.

For inventory where there is no or minimal expectation of consumption or sale in the ordinary course of business, the value is impaired to reduce it to Net Realisable Value by means of a stock obsolescence provision.

### **1.11. Cash and Cash Equivalents**

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

### **1.12. Value Added Tax (VAT)**

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

### **1.13. Provisions, Contingent Liabilities and Assets**

In accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, APHA 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 require settlement.

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.

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

#### **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 APHA's expected purchase and usage requirements and the Agency is not exposed to significant credit, liquidity or market risk. As a result of the low risk there is no requirement to disclose in terms of IFRS 7, Financial Instruments: Disclosures.

#### **1.15. Hard Charges and Notional Charges**

Defra provides a number of services centrally and the cost of these is shown as hard or notional charges. The value of both hard and notional charges is determined by Defra. Further details are provided in note 4. Hard charges relate to services provided by Defra, either directly or through contract arrangements, including internal audit, pool car costs and right of use IT services.

#### **1.16. Foreign Currency Translation**

Assets and liabilities in foreign currencies are translated into sterling using the rate of exchange at 31 March 2017, 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 SoCNE.

#### **1.17. Impending Application of Newly Issued Accounting Standards Not Yet Effective**

The FReM does not require the following Standards to be applied in 2016/17 as they are still subject to FReM interpretation and therefore early adoption is not yet permitted. These standards have not been applied in preparing the financial statements:

- IFRS 9: Financial Instruments. Application of this standard is required for accounting periods beginning on or after 1 January 2018.
- IFRS 15: Revenue for Contracts with Customers. Application of this standard is required for accounting periods beginning on or after 1 January 2018.
- IFRS 16: Leases. Application of this standard is required for accounting periods beginning on or after 1 January 2019.

## **2. Restatement of 2015/16 Financial Statements**

As of the 1 April 2016, the way the Agency is funded by core Defra changed with the aim of improving accountability and transparency of funding. Instead of funding being recorded as Income within the Income Statement and increasing the income figure, it is

now treated via equity under Parliamentary funding. The Statement of Changes in Taxpayers Equity now clearly states the funding element and brings the Agency into line with other government departments regarding the treatment of funding. This was agreed by HM Treasury and therefore the 2015/16 SoCNE, Cash Flow and SOCTE have been restated to provide a meaningful comparison. The amounts restated are:

		Before Restatement 1516 £'000	Movement £'000	After Restatement 1516 £'000
SoCNE	Income	(214,971)	146,697	(68,274)
	Total Comp Net Expenditure / (Income)	(1,608)	146,697	145,089
SoCF	Net Operating Income / (Expenditure)	1,608	(146,697)	(145,089)
	Net cash requirement received / (Paid)	(76,019)	146,697	70,678
SoCTE	Total Comprehensive Net Expenditure for the year	1,608	(146,697)	(145,089)
	Parliamentary Funding Received	-	146,697	146,697
	Parliamentary Funding Repaid	(76,019)	-	(76,019)
	Net Parliamentary Funding	(76,019)	146,697	70,678

### 3. Operating Segments

#### a. Income and Expenditure

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Region/Sector	Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
Service Delivery Directorate	92,070	(31,937)	60,133
Scientific Services Directorate	48,731	(29,370)	19,361
Veterinary Directorate	3,040	(1,283)	1,757
Outbreak	2,209	0	2,209
Corporate Centre, Hard Charges, Depreciation and Amortisation	73,344	0	73,344
	<b>219,394</b>	<b>(62,590)</b>	<b>156,804</b>
Revaluation deficits / (surpluses) not covered by previous revaluation surpluses and increases in provisions	(2,062)	0	(2,062)
<b>Totals</b>	<b>217,332</b>	<b>(62,590)</b>	<b>154,742</b>

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The table summarises the management accounts prepared by APHA during the course of 2016/17 and is split in terms of operations.

#### b. Gross Assets

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

#### c. Interest

The Agency had no interest revenue or expense.

#### d. Liabilities

The APHA 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. Other Administrative Costs

	2016/17	2015/16
	£'000	£'000
Official Veterinarian Costs		
Official Veterinarian Costs	24,963	25,170
Operating Costs		
Veterinary and Laboratory Consumables	8,881	8,925
Office Services	14,959	13,757
IT Costs	1,934	2,131
Travel and Subsistence	5,391	5,228
Accommodation and Utilities	449	(308)
Training	973	922
Recruitment	579	541
(Profit) / Loss on Disposal of Fixed Assets	(57)	(83)
Disease Eradication Costs (Outbreaks)	0	1,277
	33,109	32,390
Hard Charges		
Estates Management	(305)	731
Right of Use IT Services	(1,312)	(617)
Internal Audit	75	94
	(1,542)	208
Notional Charges		
Notional Charges from Defra	46,952	46,019
Defra Investigation Services	126	223
External Audit	200	200
	47,278	46,442
Non-Cash Costs		
Depreciation and Amortisation	24,513	19,799
Revaluation Deficits / (Surpluses) & Impairments	(2,062)	(1,047)
	22,451	18,752
	<b>101,296</b>	<b>97,792</b>

#### *Official Veterinarian Costs*

Official Veterinarians are qualified veterinarians in private practice who undertake work on behalf of APHA. The charge against operating costs for the year ended 31 March 2017 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 result forms had been received.
- 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.

## Outbreaks

In 2016/17 the £2,209k outbreak costs have not been split out from the operating cost categories and staff costs. The split of outbreak costs by category is shown in the table below compared to the 2015/16 outbreak costs shown in the disease eradication line in the preceding table.

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Staff Costs	238	166
Accom & Utilities	6	0
IT Costs	42	0
Office Services	1,420	872
Travel & Sub	193	7
Vet & Lab Cons	310	232
	<b>2,209</b>	<b>1,277</b>

## Hard and Notional Charges

Notional charges from Defra relate to estates management, IT services, legal, accounting and HR services, procurement and contract services, plus finance and communications with effect from 1 December 2016.

Hard charges relate to services provided by Defra, either directly or through contract arrangements, including internal audit, pool car costs and right of use IT services.

The IT services hard charge related to the supply and use of IT assets by IBM. These assets were purchased in March 2017 by Defra. It is not possible to separate the finance and service charge elements of these costs.

Within the SoCNE, the full cost of occupation is reflected in relation to buildings that are either owned or leased by Defra or specialised properties held on APHA's SoFP. 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 APHA is £4,365k (2015/16: £4,375k).

The commitments are consistent with arrangements containing a lease as defined by IFRIC 4, Determining Whether an Arrangement Contains a Lease.

The external audit fee is the Comptroller and Auditor General fee of £200k for the audit of the 2016/17 financial statements (2015/16: £200k). No remuneration was paid to the auditors for non-audit work.

## 5. Income

Analysis by Customer	2016/17	Restated	
	2015/16	2015/16	2015/16
	£'000	£'000	£'000
Defra & Defra Agencies	7,399	12,199	158,896
Other Government Departments & Devolved Administrations	34,293	36,924	36,924
UK Commercial & External	17,642	16,651	16,651
EU	1,287	605	605
Overseas Commercial	1,969	1,895	1,895
	<u>62,590</u>	<u>68,274</u>	<u>214,971</u>

The 2015/16 accounts have been restated due to a change in the way the Agency is funded. See note 2 for more detail.

Transactions which are denominated in a foreign currency are translated into sterling at the Bank of England spot rate. The spot exchange rate is the exchange rate at the date of the transaction. Any gains or losses on exchange are taken to the Statement of Comprehensive Net Expenditure in the year in which they are incurred. Foreign exchange is not material for the Agency so has not been disclosed separately in the accounts.

## 6. Property, Plant and Equipment

2016/17	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 Construction £'000	Total £'000
<b>Cost or valuation</b>								
1 April 2016	23,620	254,611	24,746	4,742	3,947	9,440	724	321,830
Additions	-	2,128	332	-	34	-	-	2,494
IBM Asset Movement	-	-	-	-	-	(165)	-	(165)
Transfers	(427)	681	-	-	-	-	(681)	(427)
Disposals	-	-	(481)	(353)	(277)	(7,637)	(43)	(8,791)
Impairment	-	2,062	-	-	-	-	-	2,062
Revaluation	1,105	3,772	597	(2)	92	96	-	5,660
<b>31 March 2017</b>	<b>24,298</b>	<b>263,254</b>	<b>25,194</b>	<b>4,387</b>	<b>3,796</b>	<b>1,734</b>	<b>-</b>	<b>322,663</b>
<b>Depreciation</b>								
1 April 2016	-	(11,915)	(20,594)	(4,352)	(2,825)	(9,066)	-	(48,752)
Charged	-	(8,098)	(1,236)	(152)	(277)	(10)	-	(9,773)
IBM Asset Depreciation	-	-	-	-	-	(197)	-	(197)
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	470	353	309	7,637	-	8,769
Impairment	-	-	-	-	-	-	-	-
Revaluation	-	-	(503)	2	(66)	(96)	-	(663)
<b>31 March 2017</b>	<b>-</b>	<b>(20,013)</b>	<b>(21,863)</b>	<b>(4,149)</b>	<b>(2,859)</b>	<b>(1,732)</b>	<b>-</b>	<b>(50,616)</b>
<b>Net Book Value</b>								
<b>31 March 2017</b>	<b>24,298</b>	<b>243,241</b>	<b>3,331</b>	<b>238</b>	<b>937</b>	<b>2</b>	<b>-</b>	<b>272,047</b>
<b>31 March 2016</b>	<b>23,620</b>	<b>242,696</b>	<b>4,152</b>	<b>390</b>	<b>1,122</b>	<b>374</b>	<b>724</b>	<b>273,078</b>
<b>Asset Financing:</b>								
Owned	24,298	243,241	3,331	238	937	2	-	272,047
Service Concession Arrangements	-	-	-	-	-	-	-	-
<b>Net Book Value at 31 March 2016</b>	<b>24,298</b>	<b>243,241</b>	<b>3,331</b>	<b>238</b>	<b>937</b>	<b>2</b>	<b>-</b>	<b>272,047</b>

### Land & Buildings

Montagu Evans undertook a desktop valuation of land and buildings during the year ended 31 March 2017. This resulted in a net increase in the value of land and buildings from 2016/17 of £1,223k which included £4,877k credited to the Revaluation Reserve and

£2,062k credited to the SoCNE with the balance relating to additions and transfers (£2,382k) and depreciation charged (£8,098k). This revaluation was carried out using the depreciated replacement cost method, taking into account both current and expected future economic conditions.

Additions on the buildings relates to building works on APHA properties that have been recharged from Defra.

2015/16								
	Land	Buildings	Scientific	Office	Plant and	IT Assets	Assets in the	Total
	£'000	£'000	Equipment	Equipment	Motor		Course of	£'000
			£'000	and	Vehicles		Construction	£'000
				Furniture				
				£'000	£'000	£'000		
<b>Cost or valuation</b>								
1 April 2015	22,917	228,476	25,031	5,080	4,106	9,730	2,656	297,996
Additions	-	6,050	98	-	40	-	724	6,912
IBM Asset Movement	-	-	-	-	-	(221)	-	(221)
Transfers	-	-	-	-	-	-	-	-
Disposals	-	(51)	(499)	(339)	(207)	(95)	(2,656)	(3,847)
Impairment	675	-	-	-	-	-	-	675
Revaluation	28	20,136	116	1	8	26	-	20,315
<b>31 March 2016</b>	<b>23,620</b>	<b>254,611</b>	<b>24,746</b>	<b>4,742</b>	<b>3,947</b>	<b>9,440</b>	<b>724</b>	<b>321,830</b>
<b>Depreciation</b>								
1 April 2015	-	(5,163)	(19,627)	(4,537)	(2,741)	(8,777)	-	(40,845)
Charged	-	(7,175)	(1,357)	(153)	(284)	(41)	-	(9,010)
Depreciation	-	-	-	-	-	(317)	-	(317)
Transfers	-	-	-	-	-	-	-	-
Disposals	-	51	486	339	206	95	-	1,177
Impairment	-	372	-	-	-	-	-	372
Revaluation	-	-	(96)	(1)	(6)	(26)	-	(129)
<b>31 March 2016</b>	<b>-</b>	<b>(11,915)</b>	<b>(20,594)</b>	<b>(4,352)</b>	<b>(2,825)</b>	<b>(9,066)</b>	<b>-</b>	<b>(48,752)</b>
<b>Net Book Value</b>								
<b>31 March 2016</b>	<b>23,620</b>	<b>242,696</b>	<b>4,152</b>	<b>390</b>	<b>1,122</b>	<b>374</b>	<b>724</b>	<b>273,078</b>
<b>31 March 2015</b>	<b>22,917</b>	<b>223,313</b>	<b>5,404</b>	<b>543</b>	<b>1,365</b>	<b>953</b>	<b>2,656</b>	<b>257,151</b>
<b>Asset Financing:</b>								
Owned	23,620	242,696	4,152	390	1,122	12	724	272,716
Service Concession Arrangements	-	-	-	-	-	362	-	362
<b>31 March 2015</b>	<b>23,620</b>	<b>242,696</b>	<b>4,152</b>	<b>390</b>	<b>1,122</b>	<b>374</b>	<b>724</b>	<b>273,078</b>

## 7. Intangible Assets

2016/17	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
<b>Cost or valuation</b>				
1 April 2016	4,205	136,240	3,310	143,755
Additions	-	-	722	722
Transfers	-	4,025	(4,025)	-
Disposals	-	(10,973)	-	(10,973)
Impairment	-	-	-	-
Revaluation	200	7,380	-	7,580
31 March 2017	4,405	136,672	7	141,084
<b>Amortisation</b>				
1 April 2016	(4,102)	(102,066)	-	(106,168)
Charged	(24)	(14,519)	-	(14,543)
Transfers	-	-	-	-
Disposals	-	10,967	-	10,967
Impairment	-	-	-	-
Revaluation	(216)	(5,634)	-	(5,850)
31 March 2017	(4,342)	(111,252)	-	(115,594)
<b>Net Book Value</b>				
31 March 2017	63	25,420	7	25,490
31 March 2016	103	34,174	3,310	37,587

The carrying amount that would have been recognised had the intangible assets been measured after recognition using the cost model in IAS 38 is £59k and £26,432k for software licences and IT software respectively.

There is one material individual intangible asset:

(1) Business Reform Programme (BRP) is the system that amongst other things, enables veterinarians to receive and submit TB results, and share other work across locations. BRP has a net book value of £19,081k. During the year accelerated depreciation has been used to bring all the constituent assets in line with each other. The average remaining life is now 1.5 years, from 1.4 years (original assets) and 13.3 years (2015/16) additions.

2015/16	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
<b>Cost or valuation</b>				
1 April 2015	4,148	119,399	15,369	138,916
Additions	-	-	2,910	2,910
Transfers	-	14,969	(14,969)	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Revaluation	57	1,872	-	1,929
31 March 2016	4,205	136,240	3,310	143,755
<b>Amortisation</b>				
1 April 2015	(3,689)	(90,554)	-	(94,243)
Charged	(357)	(10,115)	-	(10,472)
Transfers	-	-	-	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Revaluation	(56)	(1,397)	-	(1,453)
31 March 2016	(4,102)	(102,066)	-	(106,168)
<b>Net Book Value</b>				
31 March 2016	103	34,174	3,310	37,587
31 March 2015	459	28,845	15,369	44,673

## 8. Financial Instruments

As the cash requirements of APHA 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 APHA's expected purchase and usage requirements and APHA is not exposed to credit, liquidity or market risk. Accordingly no disclosure is required.

## 9. Trade Receivables and Other Current Assets

	31 March 2017	31 March 2016
	£'000	£'000
<b>Amounts falling due within one year :</b>		
Trade receivables	6,274	4,537
Other receivables	117	82
<b>Trade and Other Receivables</b>	<b>6,391</b>	<b>4,619</b>
<b>Other Current Assets</b>		
Deposits and advances	6	6
Prepayments and accrued income	7,014	8,497
	<b>7,020</b>	<b>8,503</b>
<b>As at 31 March</b>	<b>13,411</b>	<b>13,122</b>

## 10. Cash and Cash Equivalents

	31 March 2017	31 March 2016
	£'000	£'000
<b>Government Banking Services</b>		
Opening balance	36,806	38,508
Net change in balances	(22,628)	(1,702)
<b>Closing balance</b>	<b>14,178</b>	<b>36,806</b>

The Government Banking Service 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 are not classified as commercial bank accounts.

## 11. Trade Payable and Other Current Liabilities

	31 March 2017	31 March 2016
	£'000	£'000
<b>Trade and Other Payables</b>		
Trade payables	(1,921)	(746)
Other payables	(65)	(899)
Payroll Payables	(3,186)	(2,969)
	<u>(5,172)</u>	<u>(4,614)</u>
<b>Other Liabilities</b>		
Accruals and deferred income	(17,978)	(17,640)
Other taxation	(325)	(1,143)
	<u>(18,303)</u>	<u>(18,783)</u>
<b>Provisions</b>	(26)	(2,406)
<b>As at 31 March</b>	<u>(23,501)</u>	<u>(25,803)</u>

Other payables for 2015/16 included the current liability "IBM right of use" assets of £818k, these assets have now been purchased removing the liability.

## 12. Lease Obligations Due

	31 March 2017	31 March 2016
	£'000	£'000
Not later than one year	-	818
Balance in Current Liabilities	<u>-</u>	<u>818</u>
Later than one year and not later than five years	-	659
Later than five years	-	-
Balance in Non Current Liabilities	<u>-</u>	<u>659</u>
<b>Balance at 31 March</b>	<u>-</u>	<u>1,477</u>

Lease obligations arose from the adoption of IFRIC 12 Service Concession Arrangements in respect of IBM Right of Use Assets. IBM who provide the valuation of the assets and have also provided Defra with a lease charge applicable to the whole contract including core Defra, its Agencies and Non Departmental Public Bodies. This was allocated to APHA on the basis of the headcount within the organisation as a proportion of the total. Defra has now purchased the assets and therefore there is no longer a lease obligation.

### 13. Provisions for Liabilities and Charges

	Other £'000	Property Related Provision £'000	Total £'000
<b>At 1 April 2015</b>	321	4,153	4,474
Provided in the year	-	-	-
Provisions not required written back	(171)	(439)	(610)
Provisions utilised in the year	(150)	(210)	(360)
<b>At 31 March 2016</b>	-	3,504	3,504
Provided in the year	149	-	149
Provisions not required written back	-	(3,504)	(3,504)
Provisions utilised in the year	(123)	0	(123)
<b>At 31 March 2017</b>	26	-	26

	Other £'000	Property Related Provision £'000	Total £'000
Not later than one year	26	-	26
Balance in Current Liabilities	26	-	26
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
Balance in Non Current Liabilities	-	-	-
<b>At 31 March 2017</b>	26	-	26

### Property Related Provisions

The responsibility for property related provisions, (in order to restore specialised premises to their original condition), now rest with Defra following a change in policy, which has resulted in APHA releasing the dilapidations and asbestos provisions of £3,504k. Provisions that fall due within one year are transferred to current liabilities.

#### 14. Capital Commitments

	2016/17	2015/16
	£'000	£'000
Contracted capital commitments at 31 March 2017 not otherwise included in these accounts		
Vehicles	210	-
Weybridge Equipment	326	-
ISOCage Equipment	54	-
<b>Total</b>	<b>590</b>	<b>-</b>

#### 15. Commitments under Operating Leases

	2016/17	2015/16
	£'000	£'000
Leasehold property operating lease payments due in:		
Not later than one year	2,275	1,697
Later than one year and not later than five years	5,782	3,738
Later than five years	2,737	2,237
	<b>10,794</b>	<b>7,672</b>

The operating leases commitment disclosure includes the costs relating to the proportion of Defra leasehold properties occupied by APHA. These arrangements between APHA 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 £75k (2015/16: £248k) related to land and £10,719k related to buildings (2015/16: £7,424k).

## 16. Commitments under Private Finance Initiative (PFI) Contracts

	2016/17	2015/16
	£'000	£'000
Commitments under PFI Contracts due:		
Not later than one year	79	79
Later than one year and not later than five years	356	347
Later than five years	1,197	1,292
	<u>1,632</u>	<u>1,718</u>

An off-balance sheet PFI contract was signed by the Department in February 2001. The scheme involved the grant of a 129 year ground lease to a PFI partner who constructed an office building for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033. The building is not an asset of the Department and will not revert to Defra at the end of the lease term. The freehold land subject to the ground lease is a Defra asset. Defra occupies 0.00% (2015/16 0.39%) of the building and recharges other occupiers for their share of the costs. APHA occupies 1.53% (2015/16 1.53%) of the site.

## 17. Obligations under Service Concession Arrangements

	2016/17	2015/16
	£'000	£'000
Obligations under service concession arrangements due in:		
Not later than one year	13,922	14,403
Later than one year and not later than five years	13,445	11,870
Later than five years	-	-
	<u>27,367</u>	<u>26,273</u>

Defra has entered into a contract with IBM for the supply of IT services, and APHA is party to this contract. It aims to support APHA by providing a modernised IT infrastructure; in line with the wider government IS strategy, which will give access to cost effective IT services. All service concession assets are classed as one tangible IT service concession asset which was disposed of by APHA in 2016/17 due to the purchase of the assets by Defra in March 2017.

The contract was for a term of eight years from February 2010, which has now been extended until July 2019. The contract prices are subject to an annual incremental

increase, applied from 1 April. This increase is based on the consumer price index (CPI) for January in the previous year. There are no beneficial entitlements at the end of contract. Up until March 2017, APHA had the right to use assets owned by IBM, these assets have now been purchased by Defra. APHA 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 of the service. The cost associated with this clause is on a sliding scale depending on several factors, including time remaining on the contract.

APHA is committed to meet the remainder of the payments to IBM that relate to the service element of the contract referred to in note 1.8. Amounts payable are shown in the table above.

## 18. Other Financial Commitments

	2016/17	2015/16
	£'000	£'000
Facilities management costs relating to DEFRA leasehold, specialised and freehold properties due in:		
Not later than one year	14,712	12,271
Later than one year and not later than five years	58,847	49,083
Later than five years	29,504	36,880
	103,063	98,234

Other financial commitments 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 APHA's SoFP.

The commitments are consistent with arrangements containing a lease as defined by IFRIC 4 Determining Whether an Arrangement Contains a Lease.

## 19. Contingent Liabilities

There were no contingent liabilities at 31 March 2017 (2015/16: None).

## 20. Related Party Transactions

APHA is an Executive Agency of Defra and is also a supplier of services to Defra. During the period ended 31 March 2017 Defra provided APHA with remuneration for services and provided a number of services to APHA. In addition APHA had a number of operational transactions with the Department's other Executive Agencies, (Rural

Payments Agency and Veterinary Medicines Directorate), and with other government bodies, notably the Scottish Government, the Welsh Government and the Food Standards Agency.

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

Any compensation paid to key managerial staff would be a related party transaction. Should compensation payments be made to any director this would be disclosed in the Remuneration Report.

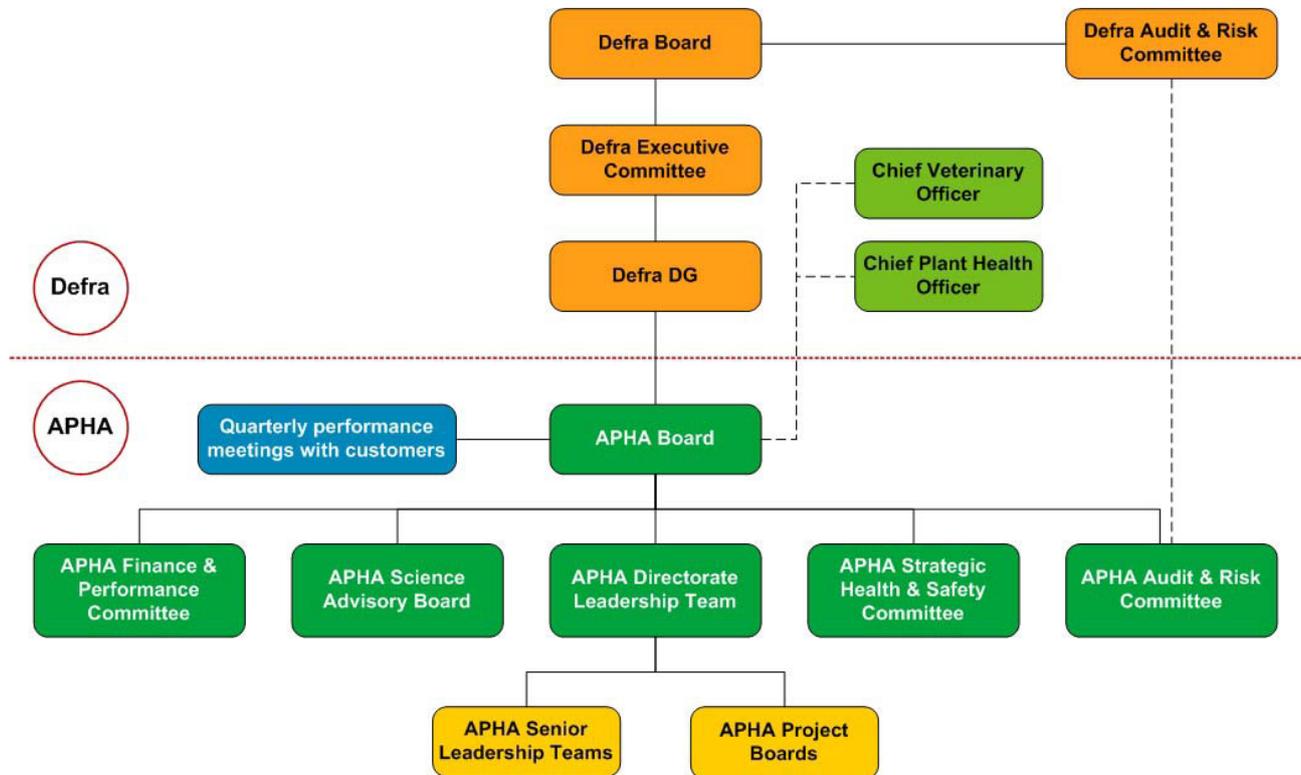
The Agency keeps a fully updated Register of Interests.

## **21. Events after the Reporting Period**

APHA's financial statements are laid before the House of Commons by the Secretary of State for Defra. IAS 10, Events after the Reporting Period, requires the Accounting Officer to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date of the Comptroller and Auditor General's Audit Certificate.

Chris Hadkiss,  
APHA Chief Executive and Accounting Officer  
06 July 2017

## Annex A - Governance Map



Based on recommendation from the Audit and Risk Assurance Committee the Board has removed the Finance and Performance Committee at the end of 2016/17

## Annex B– Performance Measures

Work Area	Key Performance Indicator	Achieved
Export	APHA will ensure that 97% of Export Health Certificates/licences are issued correctly within the agreed timeframes (This is a composite KPI and consists of 7 components of timeliness and quality components for Animal EHCs, CITES, Birds and for Plant Products)	Met
Import	APHA will ensure consignments are checked correctly at the required levels. (This is a composite KPI and consists of consignment checks across various different work areas including Plant, Livestock and Bees)	Met
Animal Welfare	APHA will complete 100% of cross compliance inspections in order to enable the GB paying agencies meet the Single Payment Scheme deadlines	Met
	APHA will ensure animals are protected from unnecessary pain and suffering by visiting 95% of reports assessed as high priority, via a veterinary risk assessment, within one calendar day of notification	Substantially Met
Surveillance	APHA will complete 98.7% of required sampling/visits as part of National Surveillance Programmes (This is a composite KPI and consists of surveillance across Animals and Plants)	Met
Endemic Disease - Tuberculosis	Low Risk Area - Proportion of live herds under restriction as a result of a OTF-W bTB breakdown	Met
	Edge Area - Proportion of live herds under restriction as a result of a OTF-W bTB breakdown	Met
	High Risk Area - Proportion of live herds under restriction as a result of a OTF-W bTB breakdown	Met
	All eligible new persistent breakdowns to have an internal case review	Substantially Met
	All existing persistent breakdowns will have an annual internal case review	Met
	Prevent the number of overdue TB herds (both RHT and SIT) rising above 450 in Wales	Met
	During the financial year 2016/17 to have no more than 256 overdue herds in Scotland, by 31 March 2017	Met
Scanning Surveillance	To provide access to the scanning surveillance network for an average of 65% of livestock holdings in England & Wales by 31 March 2015	Met
Science	APHA will meet 95% of agreed milestones and 100% deliverables within the agreed timeframe	Met
	Quality: APHA will maintain its third party quality accreditations	Met
	Quality: provide an assurance statement from the APHA Science Advisory Board - this will be an annual statement at the end of the year	Met
Surveillance & MI Reports	APHA will provide 100% of stated quarterly reports within the agreed timeframes	Substantially Met
Disease Risk Reduction	Animal By-Products - Complete routine inspections required under a risk based approach	Substantially Met
	Deliver 100% of national and significant regional agricultural show approvals	Met
	Deliver 100% of annual inspections to markets required on an annual basis	Met
	Deliver 100% of PRIMO (pig pyramid) approvals and re-approvals on an annual basis	Met
Exotic Disease	Veterinary Inspector dispatched to immediate level exotic disease within 30 minutes of the decision being made	Met in Part
	For all suspect cases of exotic notifiable disease that are reported to Vendu, deliver a good service.	Met
Protecting the Food Chain	Poultry Meat Marketing - Complete inspections for registered sites that are in production	Met
	Egg Marketing Inspections for registered sites that are in production.	Met in Part
	Complete risk-based sampling visits under the National Feed Audit	Met
	BSE suspects will be visited no later than the next working day and APHA will serve a whole herd restriction notice on all natal and rearing holdings immediately. In addition eligible BSE offspring and cohorts to be restricted within 2 working days	Met

Key:	
Met	100% or more of target
Substantially Met	95% or more of target met
Met in Part	75% or more of target met
Not met	less than 75% of target met

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