

Animal and Plant Health Agency

Annual Report and Accounts 2017/18

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Annual Report and Accounts 2017/18

(For the year ended 31 March 2018)

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

Performance Report: Overview.....	1
Performance Report: Summary	3
Performance Report: APHA's Performance 2017/18.....	10
Performance Report: Financial Review.....	13
Accountability Report: Directors' Report	15
Accountability Report: Statement of Accounting Officer's Responsibilities	16
Accountability Report: Governance Statement	17
Accountability Report: Remuneration Report.....	22
Accountability Report: Staff Report.....	31
Accountability Report: Parliamentary Accountability Report	34
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS	36
Financial Statements	39
Annex A - Governance Map.....	65
Annex B - Performance Measures.....	66

Performance Report: Overview



Foreword by Chief Executive – Chris Hadkiss

This year has seen little change in the nature of the work being carried out by the Agency but there was a significant increase in volume. APHA also continues to produce great work with an increasingly large number of partner organisations.

In 2017/18 we dealt with a prolonged series of Avian Influenza outbreaks. This was a difficult and challenging time for everyone involved, whether they were dealing with the outbreak, working away from home or taking on additional responsibilities to ensure we continued to deliver the other work that was still expected of us. The whole APHA team involved pulled together and worked very hard to ensure that the outbreak was controlled; and in September 2017 the UK was announced as being officially free from Avian Influenza H5N8. We continued to work with our partners in the UK and internationally to manage the risk of further outbreaks or new incursions of disease and Avian Influenza was again discovered in the wild bird population in January 2018 which APHA managed effectively.

Avian influenza wasn't the only challenge we faced this year; sweet chestnut blight was confirmed in Devon and further cases were discovered in London. Later in the year, our National Bee Unit also responded to a confirmed sighting of the Asian Hornet at an apiary in Devon and our laboratory testing services identified Bluetongue in cattle that had been imported from France.

There has been some great work carried out with our partners. Our collective efforts with policy officials and ministers were successful in promoting the European Union decision to approve increased protections against the plant disease, *Xylella fastidiosa*. We also worked closely with the Scottish Government to secure a reclassification of the BSE risk in Scotland to 'negligible'. In addition, the Asian Hornet Watch app was launched.

This ran alongside our continued extensive work on bovine TB control, dealing with some very difficult animal welfare cases and prosecutions, responding to reports of genetically modified material, as well as also delivering our expert services for our various customers, including Defra and the Devolved Administrations.

I would like to add how much I enjoyed being part of the celebrations to mark the 100 years' anniversary of the Weybridge site, which saw people taking part in the various activities. The anniversary, coupled with the APHA Science Conference, was an

opportunity to proudly remember the Agency's amazing history, the work we have achieved over the years and the work we still do today.

The detailed planning and preparation required for exit of the European Union continues to be of a high priority in order to ensure we have the right resources in place to ensure a smooth transition on Day 1 and beyond.

We have continued to look for further opportunities to increase the Agency's efficiency and to deliver value for money for our customers and stakeholders by making best use of the tools and technologies available to us as part of the wider Defra group. This work has increasingly been approached on a "system" basis. The "Food, Farming & Biosecurity system" joins up the ongoing policy and delivery work in food, farming and animal and plant health, by grouping together the work of the following:

- Animal and Plant Health Agency (APHA)
- Rural Payments Agency (RPA)
- Veterinary Medicines Directorate (VMD)
- Future Farming, Food Chain and Animal and Plant Health Policy Directorates in core Defra

David Kennedy, Defra Director General, is the 'system leader'; responsible for co-ordinating the work of the system and its strategic objectives.

A priority for the APHA Directorate Leadership Team was to identify improvement opportunities and implement improvement actions in response to the Civil Service People Survey. The Agency launched a programme of work to ensure that people have the right tools, support training and feedback mechanisms to carry out their jobs effectively. A modest improvement was achieved in the most recent survey and the programme by which our staff can best remain engaged and contribute to the range of opportunities we have, will continue.

January 2018 marked the end of my fifth year as Chief Executive of APHA, and I feel proud to have been part of this Agency and its achievements since I joined. It just leaves me to thank all those we have worked with over the past year, and in particular our staff, for their hard work, commitment and passion for delivering the important work that APHA is trusted with. These words of sincere thanks come not only from me but also the rest of the APHA Board.

Chris Hadkiss,
APHA Chief Executive and Accounting Officer

03 July 2018

Performance Report: Summary

The Animal and Plant Health Agency (APHA) 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.

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.

APHA maintains 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 the establishment of non-native species.
- Scientific research in areas such as bacterial, viral, prion and parasitic diseases, 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.

Our Customers: We work with Defra to maintain England's biosecurity, ensuring that England has a healthy and viable agriculture sector. We do this by maintaining both capability and capacity in the key areas of animal health and welfare, GM, plant varieties and seeds, plant and bee health. Specifically, this includes the provision of inspection services as well as veterinary investigation, disease surveillance, testing and diagnosis, scientific research, disease and pest containment and eradication and post outbreak recovery. For plant and bee health, APHA works closely with Fera Science Limited (FSL)

for provision of diagnostic services through a long term supply agreement between Defra and FSL.

We provide veterinary and scientific evidence and advice, which is used to design and improve the animal health and welfare policies that help to protect animals, people and the economy from animal-related threat, without placing unnecessary burdens on animal keepers and industry. In addition to this, we work with Defra to represent and manage UK issues, such as supporting UK trade in animals, plants and associated products.

Working with the Welsh Government

We support the Welsh Government through making a positive contribution to the strategic outcomes of the Wales Animal Health and Welfare Framework by listening to, understanding and reacting appropriately to Wales's specific policy priorities and delivery expectations.

We provide the greatest possible resilience and preparedness against the threat of animal and plant health diseases in Wales, delivering the operational response necessary to control disease outbreaks and ensuring disease control structures and processes are aligned with the well-established emergency response structures that may be required to manage the wider consequences of a notifiable animal, plant or bee health disease outbreak.

Working with the Scottish Government

We support the Scottish Government by using our knowledge, expertise and emergency response capabilities to continue to protect and enhance the high health and welfare status and sustainability of Scottish agriculture. This includes:

- Maintaining and developing the operational infrastructure for dealing with notifiable disease.
- Surveillance and response to keep Scotland free of bovine TB.
- Helping to open export markets and supporting ongoing exports of Scottish animals, fish and products.
- Support for the Scottish livestock industry's initiatives to tackle endemic disease.
- Monitoring and controlling animal disease threats to public health.
- Access to APHA's bee inspection database (BeeBase).

In addition to this, we offer services to the veterinary and scientific community, industry, other government departments and the public¹.

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.UK².

Risks and Issues: For an assessment of the Agency's risks 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 customers. 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 2017/18 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 2017/18 we have successfully responded to a number of outbreaks:

- Highly pathogenic avian influenza (H5N8).
- The Yellow Legged Asian Hornet (*Vespa velutina*)
- Potato Brown Rot (*Ralstonia solanacearum*)

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.

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

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

Bovine Tuberculosis (bTB)

Bovine tuberculosis (bTB) activities to control and eventually achieve Officially TB Free (OTF) status for all of GB 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 testing surveillance programme through our Veterinary Delivery Partners (VDPs) and Official Veterinarians (OVs) together with associated control measures.
- Provision of extensive laboratory services to support the eradication programmes across GB.
- Collation and analysis of TB surveillance data³ to produce annual epidemiology reports and carry out important research and development work to support customers' policies on bTB.
- Implementation of measures to introduce increased sensitivity of bovine TB breakdown testing in the high risk area of England including the provision of private gamma testing in certain situations.
- Implementation of post-movement testing in the Low Risk Area and implementation of the option of free pre-movement testing for herd dispersal sales in the Low Risk Area.
- Development of 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.
- Implementation of new control measures in Wales in October 2017 following consultation.

International Trade

Demand for Export Health Certificates (EHCs) has increased by nearly 15% during 2017/18. The increase in demand has been driven in the main by new markets opening in the USA for dairy products. This increase in demand has been managed through process improvements. Arrangements to intercept illegal puppy imports have continued to ensure

³ <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>.

import controls are in place to reduce welfare concerns and minimise the risk of disease occurrence.

APHA have been working closely with Defra colleagues to develop plans to prepare for the operational implications of EU exit and develop potential new trade models and systems to ensure that exports from GB are not adversely impacted after EU exit.

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.
- Carried out a risk-based programme of inspections.
- Regulated and approved animal transporters; approved and audited journey plans for longer journeys.
- 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.

Service Delivery

APHA's Service Delivery Directorate provides the operational element of the Agency.

Delivery of England Field Services

This service supports delivery of KPIs for Defra in all of the policy areas from notifiable exotic animal disease report cases and incursions of exotic plant and bee pests and diseases to dealing with urgent welfare concerns in farmed livestock. Field staff are key to working with stakeholders to maintain and enhance levels of disease biosecurity, working at Border Inspection Posts to ensure compliance with import regulations. Staff were deployed in support of the various disease outbreaks this year.

Delivery of Scotland Field Services

Scotland Field Services agreed and implemented an operational structure and way of working which is aligned with Organisational Reform principles in England and Wales but maintains specific requirements for Scottish policy colleagues in relation to Animal Health and Welfare. Scotland supported AI outbreak activities in England during the first half of the financial year. The embedding of the Enforcement Investigation Officers working in collaboration with Food Standards Scotland (FSS) Food Crime Unit has been a real asset, resulting in joined up intelligence sharing and enforcement activity from farm to fork.

Delivery of Wales Field Services

Wales Field Services has an operational structure aligned with the Organisational Reform principles in England and Scotland, with administrative functions being delivered from two sites in Wales (Carmarthen and Caernarfon).

During the last year APHA has delivered a number of changes to implement new TB policies in Wales as part of the strengthened approach to TB in Wales. This has included:

- The implementation of Action Plans for persistent TB breakdowns over 18 months duration, with disease control measures targeted at clearing up infection in these herds by the greater use of severe interpretation testing, removal of inconclusive reactors and increased gamma interferon testing in these herds. The use of Biosecurity Requirement Notices has also been introduced for these herds if required and the clearing test of a persistent breakdown herd can no longer be used as a pre movement test.
- The introduction of TB areas in Wales, with a requirement for post movement testing in the low TB area.
- Licensed finishing units in the low TB area that are exempt from the need for post movement testing.
- A £5,000 cap on individual valuations.
- A potential reduction in compensation for reactors following intra-herd movements.
- The phasing out of Exempt Finishing Units in Wales.

APHA provided input to Welsh Government for the development of a target for the eradication of TB in Wales which was announced in December 2017.

Science Directorate

Scientific Services provide a range of surveillance and research activities to rapidly investigate and respond to plant and animal health threats including those with potential public health impact. They also play an important role in the protection of animal and plant health and welfare. This work is delivered under the umbrella of APHA's Science Strategy 2015-20.

We have published over 220 peer reviewed papers in a wide range of scientific journals throughout the year. To reach a wider audience we also continue to publish via trade and other specialist channels as well as communicating important achievements throughout the year on the APHA science blog on GOV.UK. The blog covers a wide range of scientific highlights from special interest stories on our scientists through to more detailed reports on the excellent science we do.

Implementation of the Review of Laboratory Testing, which started early in 2017 has progressed well to ensure that we deliver a more sustainable, flexible and cost effective structure. Laboratory testing services at Sutton Bonington and clinical chemistry at

Shrewsbury have now ceased and delivery of laboratory services have stopped at Shrewsbury and Bury St Edmunds. Work is being redistributed to the six remaining laboratories – Carmarthen, Lasswade, Newcastle, Penrith, Starcross and Weybridge.

Veterinary Directorate

This year, a new Reactor Removal Framework was introduced. This increased the number of suppliers on the framework, with three new suppliers added. This should increase APHA's resilience and geographical cover. Although the previous framework fully complied with welfare regulations, APHA faced criticism for the distance animals travelled. To mitigate these concerns, the new framework places orders with suppliers based on the haulage and slaughter costs, not salvage value as per the previous framework.

This year also saw the delivery of the Assured Certification of Exports (ACE) project, which aims to deliver the following through a bespoke delivery partner contract to ensure:

- Consistency in high standards of certification with commercial quality assurance.
- Efficiency in process to maximise Official Veterinary (OV) productivity, service to exporters and support the challenge of OV capacity to sign EHCs.

EU Exit

APHA continued to support all relevant Defra projects by providing specialist advice with an increasing focus on operational delivery under different 'day 1' scenarios. Additional HM Treasury funding has been used to increase the effort available for planning.

In January 2018, a new director for EU Exit and Trade was appointed to co-ordinate APHA's activity and ensure that we can respond effectively to evolving demands.

Performance Report: APHA's Performance 2017/18

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 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 2017/18 over those agreed for 2016/17, including new KPIs focused on audits of quality management of TB testing.

There are a total of 31 KPIs agreed with policy customers and these measure all significant and important work areas including international trade, science, welfare and surveillance. 23 KPIs were met or exceeded, three were substantially met, three were met in part and two were not met. Our KPIs are summarised at Annex B.

We have worked hard to achieve our KPIs, but at the start of the year, the recovery from the sustained Avian Influenza (AI) outbreak affected APHA's ability to achieve some KPIs. Bad weather in March 2018 also affected some work which could not be rescheduled within 2017/18. While implementation of new TB testing procedures (which includes increased TB skin testing and gamma testing) has successfully uncovered more herds with TB, it has also impacted the ability to achieve one of our KPIs.

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 Field Activities 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 continue to participate in the Cabinet Office Regulatory Futures Review to progress the review of regulations and functions and have ensured compliance with the Growth Duty which establishes that any person exercising a regulatory function has a regard to the desirability of promoting economic growth. 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.

General Data Protection Regulation (GDPR): APHA worked with Defra this year to prepare for the introduction of GDPR. GDPR (Regulation (EU) 2016/679) is a regulation by which the European Parliament, the Council of the European Union and the European Commission intend to strengthen and unify data protection for all individuals within the European Union (EU). APHA implemented a successful plan to make the changes required to be compliant with the regulations.

Sustainability: During 2017/18 APHA 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

As part of the GGC, APHA aimed to:

- Reduce greenhouse gas emissions from the whole estate and business related transport against the 2019/20 target of 38 per cent.
- Reduce the amount of waste against the baseline
- 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

	Q4 1617	Q1 1718	Q2 1718	Q3 1718	2017/18	2016/17
GHG Tonnes	4,662.10	3,579.10	3,617.40	4,248.70	16,107.30	19,305.00
Scope 1	2,051.90	1,359.70	1,215.50	1,933.30	6,560.40	9,201.10
Scope 2	2,367.30	2,010.90	2,096.60	2,012.10	8,486.90	9,016.60
Scope 3	242.90	208.50	305.30	303.30	1,060.00	1,087.30
Waste tonnes	363.86	357.00	372.37	353.81	1,447.04	1,279.00
recycled / re used	46.98	47.44	44.54	42.83	181.79	107.00
composted	0.77	0.13	1.29	1.16	3.35	1.00
incinerated with energy recovery	209.92	216.93	230.14	209.76	866.75	808.00
incinerated without energy recovery	101.53	92.50	92.55	95.67	382.25	345.00
landfilled	4.66	0.00	3.85	4.39	12.90	18.00
water m3	32,787.75	32,076.45	29,098.16	30,236.50	124,198.86	162,887.63

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.

GCC Targets

	Actual 2017/18	Baseline 2009/10	% Reduction against baseline	Target 2019/20	Current performance
GHG - CO ₂ Reduction (tonnes)	16,107.30	21,932.80	-27%	-38%	Behind target, improved on baseline
Waste Reduction (tonnes)	1,447.04	2,388.48	-39%	To reduce as much as possible from baseline	On target
Water Reduction (m ³)	124,198.86	186,003.97	-33%	To reduce as much as possible from baseline	On target

Sustainable Procurement & Construction

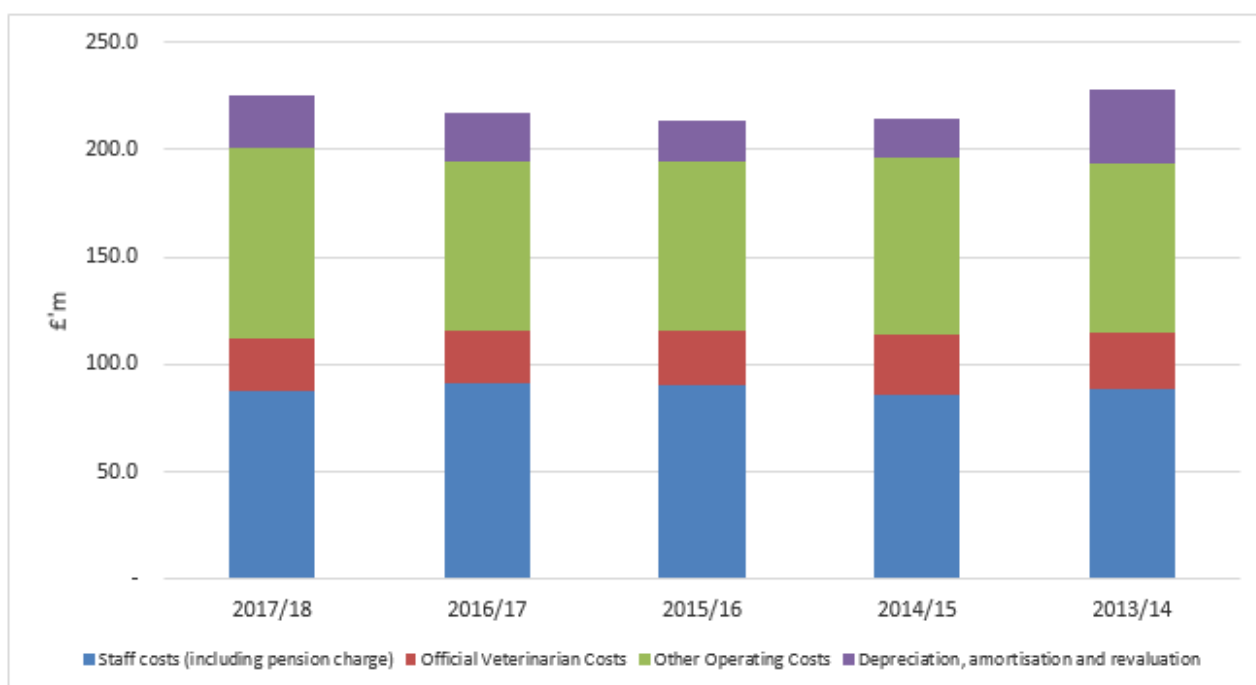
Our procurement and construction contracts are managed centrally by Defra which ensures contracts are handled through its Sustainable Operations and Procurement Strategy. The Defra procurement team works with suppliers of new contracts to minimise packaging waste and consider sustainability more widely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

Performance Report: Financial Review

APHA has reported gross expenditure of £227.1m for 2017/18, an increase of £9.8m on the prior year. Of the total expenditure, 33% or £74.8m was funded from external income with the balance funded by grant in aid from Defra.

Comprehensive net expenditure was £152.3m for 2017/18. We are required to treat grant in aid cash receipts from Defra as financing contributions because they are from our sponsoring body, therefore we credit these directly to the general reserve and do not include them in our comprehensive net expenditure in the financial statements.

Figure 1: 5-year summary of our expenditure as reported in the financial statements



More detail on staff costs and other expenditure is provided in the financial statements in the staff report and note 3 respectively.

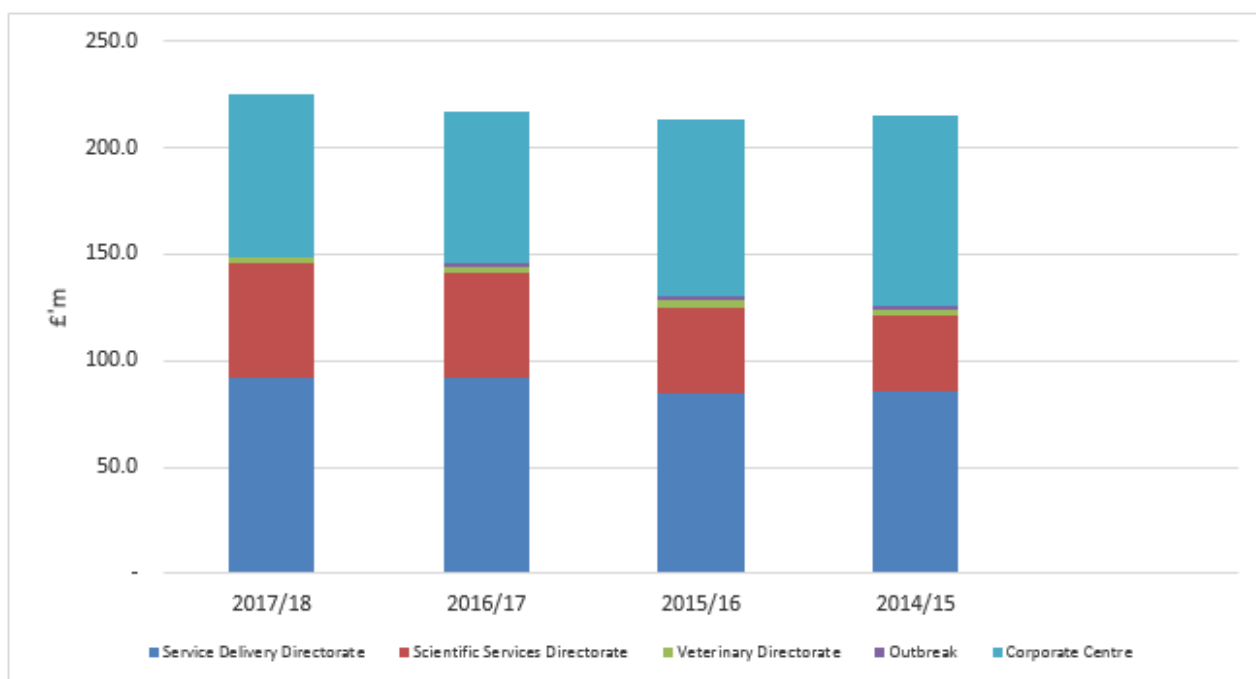
Non-current assets

Non-current assets, which include both operational assets such as science equipment and corporate assets, such as property and IT, have increased in value by £5.1m. The value of our non-current asset base is £302.6m.

We are required to carry out an independent 5-yearly revaluation of our land and buildings with a desktop exercise in the intervening years. The desk top exercise in March 2018 resulted in a £19.0m upwards revaluation.

Expenditure

Figure 2: Expenditure by operating segment



Going concern

The statement of financial position at 31 March 2018 shows taxpayers' equity of £314m (at 31 March 2017 this was £304m). In common with other government executive agencies, the future funding for our liabilities will be as grant in aid from Defra and other external income.

The government makes decisions about Defra's funding through HM Treasury's spending review process and a proportion of this funding is then allocated to us. This process sets funding for all government departments. The latest spending review covers the period up to March 2020 and we have allocated the Defra funding provided by HM Treasury for that period.

We have already received approval for our grant in aid funding for 2018/19 and for nearly all of our required funding in the current spending review period (up to 2019/20). We have therefore prepared these financial statements on a going concern basis.

Chris Hadkiss,
APHA Chief Executive and Accounting Officer
03 July 2018

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 Directorate Leadership Team (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 Biosecurity who acts on Ministers' behalf.

Full details on our Board remits, governance structure and attendance records can be found on GOV.UK⁴ and in our Governance Statement on pages 17 to 21.

Further details of our management structures can be found on pages 22 to 30 of this document where wider staffing arrangements for APHA are also explained.

Complaints: There have been 188 complaints across 2017/18. 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 minimise distress for the complainant.

We aim to resolve complaints within twenty working days. Where this is not always possible, the Parliamentary Ombudsman can be asked by the complainant to take a view. There were no referrals to the Parliamentary Ombudsman in 2017/18.

Whistleblowing: APHA implements and follows the Defra whistleblowing policy which is reviewed annually by the APHA Audit and Risk Assurance Committee. There have been no whistleblowing incidents in 2017/18.

⁴ <https://www.gov.uk/government/organisations/animal-and-plant-health-agency/about/our-governance>

Accountability Report: Statement of Accounting Officer's 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 Agency'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

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 them.

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 delivery and the 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 of executives but without a full complement of non-executives or a non-executive Chair. This has potentially weakened the effectiveness of the Board although management of the risk has improved since last year. The science-focused non-executive joined in September 2017 and the non-executive Chair took up his appointment in May 2018.

This situation, whilst not ideal, has been a major focus for myself as Accounting Officer and Defra in ensuring that interim governance was in place. Contingency arrangements were also made with the appointment of an additional experienced non-executive as a member of the Audit and Risk Assurance Committee and the Board for an initial period of one year. The appointment of the new non-executives will greatly strengthen the effectiveness of the Board.

During this time I have chaired Board meetings as the Chief Executive with the continued agreement of Defra's Director General (Food, Farming and Biosecurity). This agreement was authorised as part of APHA's framework agreement and based on advice from HM Treasury and the Cabinet Office.

APHA Board and Committees of the Board: Due to the delays in non-executive appointments, the Board did not assess its own performance this year but the appointment of a new non-executive Chair offers the opportunity for a more comprehensive assessment of performance to be carried out in 2018/19.

There was a review of governance carried out by the Chair of the Audit and Risk Assurance Committee in line with the HM Treasury Corporate Governance Code, which updated and clarified the roles and accountabilities of both the Board and its committees.

The Board received 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 providing advice and guidance on animal and plant health issues at the monthly ministerial bio-security meetings. There were also meetings with Ministers outside of the bio-security meetings, when APHA was able to provide updates on performance and discuss decisions affecting the Agency.

In 2017/18, the Board has been supported by three committees:

- Audit and Risk Assurance Committee, chaired by Alison White. The Committee's remit covers risk assurance, control and governance in the Agency. It met five times during 2017/18. The Audit and Risk Assurance Committee has dealt with the following major areas of work in 2017/18:
 - Regular review of APHA's risk management approach including IT legacy systems and EU Exit
 - 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 four times during 2017/18.
- Science Advisory Board, chaired by Kath Webster, Director of Scientific Services until the appointment of Julie Fitzpatrick, non-executive, in September 2017. It supports the Board and me, as Accounting Officer, in our responsibilities for the oversight and assurance of APHA's scientific work. It met four times during 2017/18.

Our organisational structure and governance map can be found at Annex A. Full details of the Board remit, governance structure, the remit of committees and advisory board and attendance records are available on GOV.UK⁵

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

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

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.

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 ageing, 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 have undergone further evaluation within the context of EU exit and the risk escalated to Defra. The Agency is recognised as being a critical customer of this process. It should be noted however that the Agency continues to manage a high level of risk in terms of business continuity of some systems for which no replacement is envisaged in the medium term.

Additionally, improvements were made during the year in the clarity of how risks are escalated to Defra, and where the accountability sits in terms of either tolerating or treating the risks.

Estate infrastructure: The specialist nature of the scientific estate 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 very significant level. The Agency continues to work with Defra to build the business justification for such investment.

EU Exit: The role of the Agency and the way it delivers its services to customers will change significantly once the UK has left the EU. Whilst negotiations as to our future relationship with the EU are ongoing, the Agency continues to operate within an uncertain environment. Ensuring that there is adequate resource available to provide expert input to policy development, as well as transformation programmes and business as usual, is a major ongoing risk. To help mitigate this risk, an officer (at SCS grade) has been identified to lead and to ensure that the risk is understood and mitigated Agency wide and at departmental level.

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 is a 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 2017/18.

Business Critical Models: The Agency as recommended in the Macpherson report (2013)⁶ 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.

Other Issues: APHA continues to use a Single Operating Platform (SOP) for its HR, finance and procurement systems, operated by shared services provider Shared Services Connected Ltd (SSCL).

To give users assurance over the quality of SSCL's processes and controls, SSCL engaged PricewaterhouseCoopers LLP (PwC) to conduct an independent review in line with International Standard on Assurance Engagements (ISAE 3402) for the year ending 31 March 2018. The report gave a qualified opinion having identified 17 control exceptions, of which eight had compensating controls operating. Of the remaining nine exceptions, three had some relevance to APHA. There is one recurring exception relating to insufficient access controls for SSCL's system administrators, which continues to be managed through additional interim controls. A permanent solution is ready to be implemented and will be tested in 2018/19. None of the exceptions pose a significant risk to the Department's financial accounts.

Overview of Internal Audit: During the year, the Agency appointed the Government Internal Audit Agency (GIAA)⁷ as its Head of Internal Audit. The Audit and Risk Assurance Committee worked with the GIAA to implement a proportionate plan for internal audit, commensurate with the risk environment and available resources. The Head of Internal Audit gave an overall opinion of 'Moderate Assurance' for the Agency based upon the evidence from its audits and findings of other assurance providers. This opinion is based on a scale of "unsatisfactory", "limited", "moderate" and "substantial".

The Committee was concerned throughout the year about delay to internal audits and the overall impact on the agreed programme. The Committee was however satisfied that

⁶ <https://www.gov.uk/government/publications/review-of-quality-assurance-of-government-models>

⁷ <https://www.gov.uk/government/organisations/government-internal-audit-agency/about>

sufficient work has been completed to enable the proper provision of advice to the Accounting Officer.

Ten audits were carried out within this period:-

- Four of these gave “substantial” assurance ratings. (Risk Management, Budgetary Controls, Management Information Reporting and Compliance with Operations Manual).
- Three resulted in “moderate” assurance ratings (Business Continuity, Health & Safety and Core Financial Controls).
- Three received ‘Limited’ assurance’ ratings, as follows:
 - Workforce Planning: The level of current risk exposure has been assessed as high, as although the self-assessment exercise was completed, the process was not embedded within APHA and staff were not consulted. As a result the business is not aware of the planned actions and have not taken ownership to continue to mature its Strategic Workforce Plan in the future.
 - General Data Protection Regulation (GDPR): The ‘limited’ assurance for this review focused on APHA’s capability to mitigate the identified GDPR compliance risks. This rating is based upon the evidence provided to internal audit and progress made to date in the implementation of a framework of governance, risk management and control for GDPR. The conclusion reflects a point in time assessment and should be considered in the context of planned GDPR activities that were implemented by 25 May 2018.
 - Data Quality: Despite there being adequate governance arrangements and access controls in place, the level of residual risk remains medium with regards to the business as usual process for the reporting, recording and management of suspect cases of anthrax and brucellosis. The findings in this report, if addressed will increase the level of control and further reduce the level of overall risk.

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
03 July 2018

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 (to 22 January 2018), EU Exit and Trade Director (from 23 January 2018)
David Harris	Interim Veterinary Director (from 23 January 2018)
Kirsty Shaw	Director of Service Delivery (to 30 June 2017)
Ian Hewett	Director of Service Delivery (from 10 July 2017)
Kath Webster	Director of Scientific Services
Dave Webster	Defra Finance Director with responsibility for APHA
Jill Moray	Defra HR Director with responsibility for APHA
Nicola Spence	Chief Plant Health Officer, Non-Aligned Director
Nigel Gibbens	Chief Veterinary Officer, Non-Aligned Director (to 28 February 2018)
Christine Middlemiss	Chief Veterinary Officer, Non-Aligned Director (from 01 March 2018)
Nigel Reader	Non-Executive Director and Member of Audit & Risk Assurance Committee
Julie Fitzpatrick	Non-Executive Member of Science Advisory Board (from 18 September 2017)
Alison White	Non-Executive Director and Chair of Audit & Risk Assurance Committee
Chris Nicholson	Non-Executive Director and Chair of the Board (from 1 May 2018)

Anne Tutt was an Independent Non-Executive Member of Audit and Risk Assurance Committee, until the 26 September 2017, who did not sit on the APHA Board.

Directorate Leadership Team: The Directorate Leadership Team (DLT) 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 (to 22 January 2018), EU Exit and Trade Director (from 23 January 2018)
David Harris	Interim Veterinary Director (from 23 January 2018)
Kirsty Shaw	Director of Service Delivery (to 30 June 2017)
Ian Hewett	Director of Service Delivery (from 10 July 2017)
Kath Webster	Director of Scientific Services
Dave Webster	Defra Finance Director with responsibility for APHA
Jill Moray	Defra HR Director with responsibility for APHA

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.

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 2018 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 (NEDs) are typically appointed 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 2018 there were 61 female senior managers and 102 senior male managers and one female Director and four male Directors. APHA holds gender information for our permanent staff but is unable, at this point, to identify those members who do not identify with either gender (non-binary). As a result, we have chosen not to disclose this information.

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 2017/18, an average of 4.36 days per employee was lost to sickness absence across APHA, which compares to 4.91 in 2016/17.

Remuneration of Non-Executive Directors (Audited)

Name	Date of appointment	Period of appointment	Remuneration 2017/18 (£'000)	Remuneration 2016/17 (£'000)
David Hughes (to 3 August 2016)	01-Oct-2014	22 months	-	5-10
Nigel Reader	06-Sep-2016	22 months	5-10	0-5
Anne Tutt ⁸ (to 26 September 2017)	01-Nov-2014	3 years	0-5	0-5
Alison White	01-Feb-2017	3 years	10-15	0-5
Julie Fitzpatrick	18-Sep-2017	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 APHA. Remuneration shown is for the whole of 2017/18.

⁸ Anne Tutt's remuneration is paid through Defra payroll rather than APHA as she was also a member of the Defra Audit & Risk Committee

Remuneration and Pension Entitlements (Audited)

The emoluments and pension entitlements of the APHA Board members in 2017/18 were as follows (2016/17 in italics):

	Salary Banding	Bonus Banding	Benefits in kind	Pensions Benefits ⁹	Total
	£'000	£'000	Nearest £100	£'000	£'000
Chris Hadkiss	130-135 <i>(130-135)</i>	0 <i>(0)</i>	0 <i>(0)</i>	14 <i>(38)</i>	145-150 <i>(165-170)</i>
Simon Hall	75-80 <i>(80-85)</i>	0 <i>(0)</i>	0 <i>(0)</i>	2 <i>(14)</i>	75-80 <i>(95-100)</i>
David Harris (from 23 January 2018)	15-20 FYE 75-80* <i>(0)</i>	0 <i>(0)</i>	0 <i>(0)</i>	9 <i>(0)</i>	20-25 FYE 125-130* <i>(0)</i>
Kirsty Shaw (to 30 June 2017)	20-25 FYE 90-95* <i>(90-95)</i>	0 <i>(10-15)</i>	2,300 <i>(6,700)</i>	7 <i>(35)</i>	30-35 FYE 130-135* <i>(140-145)</i>
Ian Hewett (from 10 July 2017)	50-55 FYE 70-75* <i>(0)</i>	0 <i>(0)</i>	0 <i>(0)</i>	44 <i>(0)</i>	95-100 FYE 115-120* <i>(0)</i>
Kath Webster	75-80 <i>(75-80)</i>	10-15 <i>(10-15)</i>	0 <i>(0)</i>	5 <i>(14)</i>	90-95 <i>(100-105)</i>
Dave Webster	110-115 <i>(35-40</i> FYE 110-115*)	0 <i>(0)</i>	0 <i>(0)</i>	<i>(14)</i> <i>((21))¹⁰</i>	95-100 <i>(15-20</i> FYE 90-95*)
Directors on the APHA Board during 2016/17					
Claire Evans (to 5 January 2017)	0 <i>(45-50</i> FYE 100-105*)	0 <i>(0)</i>	0 <i>(0)</i>	0 <i>(16)</i>	0 <i>(60-65</i> FYE 115-120*)
Helen Crews (to 30 June 2016)	0 <i>(15-20</i> FYE 70-75*)	0 <i>(0)</i>	0 <i>(0)</i>	<i>(0)</i> <i>((3))</i>	0 <i>(15-20</i> FYE 70-75*)

*Full year equivalent salary for board members who served part year with APHA

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 2017/18 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.

⁹ 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" excludes increases due to inflation or any increase or decrease due to transfer of pension rights.

¹⁰ The 2016/17 pension figure for Dave Webster has been restated from (33) to (21) due to a retrospective update to the service history record.

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 (Audited): 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 2017/18 was £130,000 to £135,000 (2016/17: £130,000 to £135,000). This was 4.9 times (2016/17: 5.0 times) the median remuneration of the workforce, which was £26,865 (2016/17: £26,156).

Remuneration of staff in 2017/18 was in the range £17,126 to £131,040 (2016/17: £16,790 to £131,040). In 2017/18, no members of the workforce received full-time equivalent remuneration in excess of the highest paid director (2016/17: None).

Pension Benefits (Audited)

	Accrued pension at pension age as at 31 March 2018	Accrued lump sum at pension age as at 31 March 2018	Real increase in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Directors on the APHA Board as at 31 March 2018							
Chris Hadkiss	80 – 85	0	0 – 2.5	1,248	1,169	6	0
Simon Hall	25 - 30	80 – 85	0 – 2.5 plus a lump sum of 0 – 2.5	604	564	2	0
David Harris (from 23 January 2018)	30 - 35	90 – 95	0 – 2.5 plus a lump sum of 0 – 2.5	682	649	9	0
Kirsty Shaw (to 30 June 2017)	20 - 25	50 – 55	0 – 2.5	326	321	2	0
Ian Hewett (from 10 July 2017)	35 - 40	105 – 110	0 – 2.5 plus a lump sum of 5 – 7.5	766	687	42	0
Kath Webster	35 - 40	0	0 – 2.5	623	580	4	0
Dave Webster	70 - 75	0	0 – 2.5	1,307	1,241	(14)	0
Directors on the APHA Board during 2016/17							
Claire Evans (to 5 January 2017)	0	0	0	0	100	0	0
Helen Crews (to 30 June 2016)	0	0	0	0	700	0	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 scheme benefits accrued by scheme members at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from the lifetime allowance tax which may be due when pension benefits are taken.

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 HM 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 directors or 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 2018, for more than £245 per day and that last for longer than six months

Number of existing engagements as of 31 March 2018	3
Of which:	
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	1
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	2
Number that have existed for four or more years at time of reporting	0

- For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months.

Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	2
Of which:	
The number of these engagements which were assessed as being caught by IR35	0
The number of these engagements which were assessed as not caught by IR35	2
The number that were engaged directly (via Personal Service Company contracted to department) and are on the departmental payroll	0
The number that were reassessed for consistency / assurance purposes during the year	2
The number that saw a change to IR35 status following the consistency review	0

- ff-payroll engagements of Board members, and/or senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018.

Number of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, during the financial year	0
Total number of individuals on and off-payroll 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	13

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 £170k for 2017/18 (2016/17 £200k).

Accountability Report: Staff Report

Staff Costs (Audited)

	2017/18	2016/17
	£'000	£'000
Salaries	64,460	65,948
Employer's National Insurance Contributions	6,780	6,585
Employer's Pension Contributions	13,207	13,492
	<hr/>	<hr/>
	84,447	86,025
Contractor Costs	1,920	2,459
Staff Exit Costs	1,614	2,640
Staff Leave Accrual Movement	(28)	(51)
	<hr/>	<hr/>
	87,953	91,073

The apprenticeship levy was introduced from 1 April 2017 and payment of the levy is considered a form of taxation. The levy is included in the employer's national insurance contributions line in the table above.

APHA has consultancy spend of £67k for the year ended 31 March 2018 (2016/17: £Nil). These are included within operating costs – programme service delivery costs shown in Note 3.

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

In addition to the costs shown above, contractor costs of £191k (2016/17: £715k) have been capitalised. These are included within the additions to IT Software and Assets in the Course of Construction shown in Note 6 – Intangible Assets.

Under IAS 19 Employee Benefits, an accrual has been established for staff leave due, but not taken at 31 March 2018; this employee benefit is payable in 2018/19.

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 2017/18, employer's contributions of £12,933k were payable to the PCSPS (2016/17: £13,220k) 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) 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 £265k (2016/17: £263k) 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 (2016/17: £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 2018 were £9k (2016/17: £9k).

Six members of staff (2016/17: three) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £16k (2016/17: £5k).

Average Number of Persons Employed (Audited)

Average Number of Full Time Equivalent Staff	2017/18	Restated 2016/17	2016/17
	FTE	FTE	FTE
Science Staff	410	453	453
Veterinary Staff	310	318	318
Technical Staff	250	251	251
Admin and Managerial Staff (All Disciplines) incl Agency	1,022	972	927
Inspectorate Staff	162	191	191
	<u>2,154</u>	<u>2,185</u>	<u>2,140</u>

	2017/18	2016/17	2016/17
	FTE	FTE	FTE
Permanent	1,990	2,047	2,047
Fixed Term Contracts	51	34	34
Casual and Temporary	113	104	59
	<u>2,154</u>	<u>2,185</u>	<u>2,140</u>

For 2017/18 the staff numbers now include agency staff. The 2016/17 numbers have therefore been restated.

APHA has five senior civil service staff with four 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 43 employees left APHA under early release schemes. The details are as shown in the table below. The full cost of £1,342k was included in the 2017/18 accounts exit costs of £1,614k; the balance of £272k relates to top up payments following the 2016 Civil Service Compensation Scheme Judicial Review regarding exit packages. The 2016/17 disclosure has been restated to reflect the revised 2016/17 costs and numbers following the review.

The 2016/17 disclosure includes 41 employees that left APHA during 2017/18 who had agreed to do so before 31 March 2017.

Exit Package Cost Band	Restated		
	Total number of exit packages by cost band 2017/18	Total number of exit packages by cost band 2016/17	Total number of exit packages by cost band 2016/17
<£10,000	1	-	-
£10,000 - £25,000	16	20	27
£25,000 - £50,000	22	45	41
£50,000 - £100,000	3	14	11
£100,000 - £150,000	1	1	1
£150,000 - £200,000	-	-	-
£200,000>	-	-	-
Total number of exit packages by type	43	80	80
2015/16 Accrual Released	0 -	166 -	166
Total resource cost (£'000)	1,342	2,912	2,640

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 2017/18 (2016/17: 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 Agency 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 assumed costs for delivering the service. There has been a phased introduction and as of yet we are not at full cost recovery.

New statutory legislation is being introduced in 2018/19 to raise the fees to full cost recovery for Plant Health Regulations and six of the seven schemes within Animal Health Regulations. The seventh scheme will be reviewed for the new legislation in 2019/20.

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 in aggregate by £1.7m 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	1,507	2,682
The Plant Health Regulations 2014	8,569	9,052
The Disease of Animals (Approved Disinfectants) 2011	255	255
The Poultry Compartments Order 2010	62	62
The Welfare of Wild Animal in Travelling Circuses 2012	7	7
The Welfare of Animals at the Time of Killing 2015	11	11
Wildlife and Countryside Act 1982	14	14
Total	<u>10,425</u>	<u>12,083</u>

Remote Contingent Liabilities (Audited)

APHA does not have any remote Contingent Liabilities as at 31 March 2018; this was the same as at 31 March 2017.

Losses and Special Payments (Audited)

Special Payments	2017 / 18	2016 / 17
Cases	5	3
Cost (£'000)	176	309

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.

Losses	2017 / 18	2016 / 17
Cases	1	1
Cost (£'000)	26	33

Losses relate to movement in stock prices to reflect the revised labour content within updated charge out rates.

Chris Hadkiss,
APHA Chief Executive and Accounting Officer
03 July 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Animal and Plant Health Agency for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2018 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 regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Animal and Plant Health Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

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

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Animal and Plant Health Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Animal and Plant Health Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the Foreword, Performance Report, and Accountability Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my

responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration Report, Staff Report and Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Foreword, Performance Report and Accountability Report; 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 and have been prepared in accordance with the applicable legal requirements.

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 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

5 July 2018

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

ADMINISTRATION COSTS	Note	2017/18	2016/17
		£'000	£'000
Staff Costs	Staff Report	87,953	91,073
Other Administrative Costs			
Official Veterinarian Costs	3	24,518	24,963
Other Operating Costs	3	114,678	101,296
Total Expenditure		<u>227,149</u>	<u>217,332</u>
Operating Income	4	(74,795)	(62,590)
Total Income		<u>(74,795)</u>	<u>(62,590)</u>
Total Comprehensive Net Expenditure		<u>152,354</u>	<u>154,742</u>
OTHER COMPREHENSIVE EXPENDITURE			
Net gain on revaluation of Property, Plant and Equipment		(18,534)	(4,997)
Net gain on revaluation of Intangibles		(409)	(1,730)
Total Comprehensive Expenditure		<u>133,411</u>	<u>148,015</u>

All income and expenditure is derived from continuing operations.

The notes on pages 43 to 64 form part of these financial statements.

Statement of Financial Position as at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
Non Current Assets			
Property, Plant and Equipment	5	289,598	272,047
Intangible Assets	6	13,025	25,490
Total Non Current Assets		302,623	297,537
Current Assets			
Inventories		1,753	1,933
Trade and Other Receivables	8	10,585	6,391
Other Current Assets	8	8,340	7,020
Cash and Cash Equivalents	9	16,727	14,178
Total Current Assets		37,405	29,522
Total Assets		340,028	327,059
Current Liabilities			
Trade and Other Payables	10	(5,071)	(5,172)
Other Liabilities	10	(20,777)	(18,303)
Provisions		(576)	(26)
Total Current Liabilities		(26,424)	(23,501)
Assets less Liabilities		313,604	303,558
Taxpayers' Equity			
General Fund		179,560	181,347
Revaluation Reserve		134,044	122,211
Total Taxpayers' Equity		313,604	303,558

The notes on pages 43 to 64 form part of these financial statements.

Chris Hadkiss,
 APHA Chief Executive and Accounting Officer
 03 July 2018

Statement of Cash Flows for the year ended 31 March 2018

	2017/18 £'000	2016/17 £'000
Cash flows from operating activities		
Net Operating Income / (Expenditure)	(152,354)	(154,742)
Adjustments for non-cash transactions	75,421	69,729
(Profit) / Loss on disposal of non current assets	47	(57)
(Increase) / Decrease in trade and other receivables	(5,514)	(289)
(Increase) / Decrease in inventories	180	138
Increase / (Decrease) in trade payables	2,373	78
<i>IFRIC 12</i> IBM Asset Movement	-	165
Provisions Provided	550	(3,478)
Net Operating Costs excluding Notional and Non-Cash Costs	(79,297)	(88,456)
Non-Cash Adjustments	(41)	3
Net cash outflow from operating activities	(79,338)	(88,453)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,270)	(366)
Purchase of intangible assets	(561)	(722)
Proceeds from the disposal of non current assets	3	72
Net cash outflow from investing activities	(1,828)	(1,016)
Cash flows from financing activities		
Net cash requirement received / (paid) from Defra	83,715	67,500
(Decrease) / Increase in non current lease obligations	-	(659)
Net financing	83,715	66,841
Change in Cash and Cash Equivalents		
At 1 April	14,178	36,806
(Decrease) / Increase in cash	2,549	(22,628)
At 31 March	16,727	14,178

The notes on pages 43 to 64 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2016		216,086	119,018	335,104
Transfers between reserves		3,534	(3,534)	-
Non-Cash Charges - notional charges	3	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	5	-	4,997	4,997
Net Gain on Revaluation of Intangible Assets	6	-	1,730	1,730
Parliamentary Funding Received		67,500	-	67,500
Balance at 31 March 2017		181,347	122,211	303,558
Transfers between reserves		7,110	(7,110)	-
Non-Cash Charges - notional charges	3	51,023	-	51,023
Non-Cash Adjustments		8,719	-	8,719
Comprehensive Net Expenditure for the Year		(152,354)	-	(152,354)
Net Gain on Revaluation of Property, Plant and Equipment	5	-	18,534	18,534
Net Gain on Revaluation of Intangible Assets	6	-	409	409
Parliamentary Funding Received		83,715	-	83,715
Balance at 31 March 2018		179,560	134,044	313,604

The notes on pages 43 to 64 form part of these financial statements.

Notes to the Accounts

1. Statement of accounting policies

1.1. Basis of Preparation

The financial statements have been prepared in accordance with the 2017/18 Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies in the FReM 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 FReM 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 3 and 5) and intangible assets are amortised (reported in notes 3 and 6).
- The impairment of property, plant and equipment, and intangible assets (reported in notes 3, 5 and 6).
- Non-current assets are valued at current replacement cost as described in notes 1.7.2. Non-freehold property tangible and intangible assets are revalued using indices. Indexation rates published by the Office for National Statistics are used as a basis for estimating current replacement cost for non-property assets and Halifax rates are used for non-freehold property assets.
- 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 test values as set out in the contract.
- APHA receives monies for undertaking scientific projects. These projects often span financial years and as such APHA accrues or defers income and expenditure, as appropriate, based on an estimate of work completed.
- Provisions include an estimate of future liabilities based on information available when the accounts are approved.

- The annual leave accrual is calculated on a randomly selected sample of 10% of each staff grade. This is then used to calculate a statistical approximation of the overall staff population's outstanding leave and flexi leave to come up with an accrual figure.

1.4. Income Recognition

Operating income disclosed in the accounts relates directly to the operating activities of APHA. Income is recognised on an accruals basis using work undertaken during the year to ascertain the stage of completion for service contracts.

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 from Defra being recorded as income it is now treated via equity under Parliamentary funding to improve accountability and transparency of funding. The Statement of Changes in Taxpayers Equity now clearly states the funding element and brings the Agency into line with the other government departments regarding the treatment of funding.

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.

1.6.3 Apprenticeship Levy

Introduced from 1 April 2017, payment of the levy is considered a form of taxation and is accounted for as a tax expense as part of staff costs.

Income received in APHA's Digital Apprenticeship Service (DAS) account is considered to be a government grant for accounting purposes as resources (the training services) are transferred to the entity in return for compliance with certain conditions (providing approved training to its employees). Such assistance would be recognised as grant income at the same point in time that an associated expense for training services is recognised, as per IAS 20.

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.

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.

Capital expenditure by Defra on the Weybridge site is transferred from Defra via the general fund and recognised on APHA's fixed asset register when the asset is available for use.

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, Montagu Evans, 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.

Backlog depreciation will arise on indexed assets as the difference between original depreciation and revised depreciation following indexation. This is recognised through the statement of other comprehensive expenditure as a debit against the revaluation reserve.

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 two years 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.

Intangible 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. Tangible 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	2 - 15 years
Internally Generated Software	2 - 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. The contract was for a term of eight years from February 2010, now extended to July 2019. From 1 April 2017 this commitment is to be shown in Defra's Annual Report and Accounts only as contract owner.

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. Most of the activities of APHA are outside the scope of VAT and in general output tax does not apply and input tax on purchases is not recoverable. An element of recovery of input tax does take place under the contracted-out services provisions applicable to government departments. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

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 3. Hard charges relate to services provided by Defra, either directly or through contract arrangements, including internal audit and fleet car costs. From 1 April 2017 there is no longer any 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 2018, 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

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new International Financial Reporting Standards (IFRSs), amendments and interpretations that are or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by

the International Accounting Standards Board that are effective for future reporting periods. Those with relevance to APHA are outlined below. APHA has not adopted any new IFRSs early.

- IFRS 9: Financial Instruments. This is effective for accounting periods beginning on or after 1 January 2018. This standard brings together all three phases of the financial instruments project: classification and measurement, impairment and hedge accounting. The impact on APHA has not yet been fully assessed but is not expected to be material.
- IFRS 15: Revenue for Contracts with Customers. This is effective for accounting periods beginning on or after 1 January 2018. This standard replaces all existing IFRS guidance on revenue recognition. After a review of APHA's contracts this is not expected to have a material impact on income recognition in the next financial year.
- IFRS 16: Leases. This standard is effective for accounting periods beginning on or after 1 January 2019. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed. The impact on APHA has not yet been fully assessed but is not expected to be material.

2. Operating Segments

a. Income and Expenditure

Region/Sector	Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
Service Delivery Directorate	91,588	(44,444)	47,144
Scientific Services Directorate	54,209	(30,351)	23,858
Veterinary Directorate	2,785	-	2,785
Outbreak	96	-	96
Corporate Centre, Hard Charges, Depreciation and Amortisation	78,921	-	78,921
	227,599	(74,795)	152,804
Revaluation deficits / (surpluses) not covered by previous revaluation surpluses and increases in provisions	(450)	-	(450)
Totals	227,149	(74,795)	152,354

The table summarises the management accounts prepared by APHA during the course of 2017/18 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.

3. Other Administrative Costs

	2017/18	2016/17
	£'000	£'000
Staff Costs		
Salaries	64,460	65,948
Social Security Costs	6,780	6,585
Pension Costs	13,207	13,492
Other Staff Costs	3,506	5,048
	87,953	91,073
Official Veterinarian Costs		
Official Veterinarian Costs	24,518	24,963
Operating Costs		
Veterinary and Laboratory Costs	13,505	12,376
Programme Service Delivery Costs	12,860	13,186
IT Costs	1,545	1,934
Travel and Subsistence	5,332	5,267
Accommodation and Utilities	561	(3,112)
Training	1,107	973
Recruitment	101	116
Haulage and Slaughter	2,386	530
Service Level Agreements	1,654	1,896
(Profit) / Loss on Disposal of Fixed Assets	47	(57)
	39,098	33,109
Hard Charges		
Estates Management (incl fleet car costs)	31	(305)
Right of Use IT Services	-	(1,312)
Internal Audit	128	75
	159	(1,542)
Notional Charges		
Defra and Defra Investigation Services	50,853	47,078
External Audit	170	200
	51,023	47,278
Non-Cash Costs		
Depreciation and Amortisation	24,848	24,513
Revaluation Deficits / (Surpluses) & Impairments	(450)	(2,062)
	24,398	22,451
	114,678	101,296

For 2017/18 the operating costs have been split further to reflect the underlying nature of the expenditure. The 2016/17 numbers have therefore been restated to reflect the new classification.

For more detailed disclosures regarding staff costs, see the staff report on page 31.

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 2018 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 2017/18 the £96k outbreak costs (2016/17: £2,209k) 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 2016/17 outbreak costs.

	2017/18	2016/17
	£'000	£'000
Staff Costs	32	238
Office Services	11	1,420
Travel & Sub	21	193
Vet & Lab Costs	20	310
Other non pay	12	48
	<u>96</u>	<u>2,209</u>

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, these consist of internal audit and fleet car costs.

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, therefore there is no further charge for these assets. It was 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 £4,145k (2016/17: £4,365k).

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 £170k for the audit of the 2017/18 financial statements (2016/17: £200k). No remuneration was paid to the auditors for non-audit work.

4. Income

Analysis by Customer	2017/18	2016/17
	£'000	£'000
Defra & Defra Agencies	7,391	7,399
Devolved Administrations	32,157	31,556
Other Government Departments	1,817	1,480
Other Non Commercial	13,973	1,257
Fees and Charges	10,425	10,309
UK Commercial & External	5,787	7,333
EU	1,192	1,287
Overseas Commercial	2,053	1,969
	74,795	62,590

APHA receives funding from Defra to cover its operating requirements by cash transfers which pass through the Statement of Changes in Taxpayers' Equity rather than being accounted for as income through the Statement of Comprehensive Net Expenditure. Accounting policy note 1.4 explains the rationale for the accounting treatment of this funding.

For 2017/18, the income has been split out further to reflect the underlying nature of the income. The 2016/17 numbers have therefore been restated to reflect the new classification.

Other non-commercial income includes the TB compensation salvage receipts previously received by Defra.

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.

5. Property, Plant and Equipment

2017/18	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
Cost or valuation								
1 April 2017	24,298	263,254	25,194	4,387	3,796	1,734	-	322,663
Reclassification		(3,758)	71		(65)			(3,752)
Additions			989		281			1,270
Transfers	162	8,246			433			8,841
Disposals		(15)	(1,349)	(36)	(52)	(303)		(1,755)
Impairment	668	(218)						450
Revaluation	598	17,946	265	(9)	15	22		18,837
31 March 2018	25,726	285,455	25,170	4,342	4,408	1,453	-	346,554
Depreciation								
1 April 2017	-	(20,013)	(21,863)	(4,149)	(2,859)	(1,732)	-	(50,616)
Reclassification		3,758	(38)		32			3,752
Charged		(10,051)	(872)	(151)	(344)	(2)		(11,420)
Transfers					(81)			(81)
Disposals		2	1,323	32	52	303		1,712
Impairment								-
Revaluation			(280)	8	(9)	(22)		(303)
31 March 2018	-	(26,304)	(21,730)	(4,260)	(3,209)	(1,453)	-	(56,956)
Net Book Value								
31 March 2018	25,726	259,151	3,440	82	1,199	-	-	289,598
31 March 2017	24,298	243,241	3,331	238	937	2	-	272,047

Land & Buildings

Montagu Evans undertook a desktop valuation of land and buildings during the year ended 31 March 2018. This resulted in a net increase in the value of land and buildings from 2016/17 of £17,338k which included £18,544k credited to the Revaluation Reserve and £450k credited to the SoCNE with the balance relating to additions and transfers £8,408k, disposals (£13k) and depreciation charged (£10,051k). 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.

Following an upgrade of assets software, the reclassifications are to bring the accounts and software in line. These adjustments have nil impact on the net book value of PPE.

All of APHA's assets are owned and none are held under finance leases.

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
Cost or valuation								
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
31 March 2017	24,298	263,254	25,194	4,387	3,796	1,734	-	322,663
Depreciation								
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)
31 March 2017	-	(20,013)	(21,863)	(4,149)	(2,859)	(1,732)	-	(50,616)
Net Book Value								
31 March 2017	24,298	243,241	3,331	238	937	2	-	272,047
31 March 2016	23,620	242,696	4,152	390	1,122	374	724	273,078

6. Intangible Assets

2017/18	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
1 April 2017	4,405	136,672	7	141,084
Additions			561	561
Transfers	2	(2)		-
Disposals	(73)	(21,250)	(7)	(21,330)
Impairment				-
Revaluation	50	2,385		2,435
31 March 2018	4,384	117,805	561	122,750
Amortisation				
1 April 2017	(4,342)	(111,252)	-	(115,594)
Charged	(22)	(13,406)		(13,428)
Transfers	(2)	2		-
Disposals	73	21,250		21,323
Impairment				-
Revaluation	(49)	(1,977)		(2,026)
31 March 2018	(4,342)	(105,383)	-	(109,725)
Net Book Value				
31 March 2018	42	12,422	561	13,025
31 March 2017	63	25,420	7	25,490

There is one material individual intangible asset:

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 £12,423k. The BRP asset was relifed in 2017/18 to 18 months as the system was due to be replaced. Subsequently, strategic priorities changed and the remaining lives for all constituent parts of the assets have been re-lifed from 1 April 2018 to 8 years remaining, in line with the longest lifed asset. This asset will require the other constituent parts to be present to function correctly.

2016/17	Software Licences £'000	IT Software £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
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
Amortisation				
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)
Net Book Value				
31 March 2017	63	25,420	7	25,490
31 March 2016	103	34,174	3,310	37,587

7. 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.

8. Trade Receivables and Other Current Assets

	31 March 2018	31 March 2017
	£'000	£'000
Amounts falling due within one year :		
Trade receivables	10,449	6,274
Other receivables	136	117
Trade and Other Receivables	10,585	6,391
Other Current Assets		
Deposits and advances	17	6
Prepayments and accrued income	8,323	7,014
	8,340	7,020
	18,925	13,411

9. Cash and Cash Equivalents

	31 March 2018	31 March 2017
Government Banking Services	£'000	£'000
Opening balance	14,178	36,806
Net change in balances	2,549	(22,628)
Closing balance	16,727	14,178

The Government Banking Service has procured banking services from the Royal Bank of Scotland Group and Barclays. 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.

10. Trade Payable and Other Current Liabilities

	31 March 2018	31 March 2017
	£'000	£'000
Trade and Other Payables		
Trade payables	(1,931)	(1,921)
Other payables	(130)	(65)
Payroll Payables	(3,010)	(3,186)
	<u>(5,071)</u>	<u>(5,172)</u>
Other Liabilities		
Accruals and deferred income	(20,076)	(17,978)
Other taxation	(701)	(325)
	<u>(20,777)</u>	<u>(18,303)</u>
Provisions	(576)	(26)
	<u>(26,424)</u>	<u>(23,501)</u>

11. Capital Commitments

	31 March 2018	31 March 2017
	£'000	£'000
Contracted capital commitments not otherwise included in these accounts		
Vehicles	0	210
Weybridge Equipment	42	326
ISOCage Equipment	0	54
	<u>42</u>	<u>590</u>

12. Commitments under Operating Leases

	2017/18	2016/17
	£'000	£'000
Leasehold property operating lease payments due in:		
Not later than one year	1,388	2,275
Later than one year and not later than five years	2,428	5,782
Later than five years	748	2,737
	<u>4,564</u>	<u>10,794</u>

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 £4,564k above, £35k (2016/17: £75k) related to land and £4,529k related to buildings (2016/17: £10,719k).

13. Commitments under Private Finance Initiative (PFI) Contracts

	2017/18	2016/17
	£'000	£'000
Commitments under PFI Contracts due:		
Not later than one year	88	79
Later than one year and not later than five years	361	356
Later than five years	-	1,197
	<u>449</u>	<u>1,632</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 Eastbrook, Cambridge for Defra, occupied in 2003, subject to a 30 year lease to 31 March 2033. Final terms for contract changes are not yet concluded, so the PFI disclosure is made on the basis of the existing contract.

14. Obligations under Service Concession Arrangements

	2017/18	2016/17
	£'000	£'000
Obligations under service concession arrangements due in:		
Not later than one year	-	13,922
Later than one year and not later than five years	-	13,445
Later than five years	-	-
	<u>-</u>	<u>27,367</u>

APHA no longer has any obligations under service concession arrangements relating to the supply of IT services from IBM. From 2017/18, this is disclosed in Defra's annual report and accounts only and any charges relating to APHA are recharged via the notional charges disclosed in note 3.

15. Other Financial Commitments

	2017/18	2016/17
	£'000	£'000
Facilities management costs relating to Defra leasehold, specialised and freehold properties due in:		
Not later than one year	15,081	14,712
Later than one year and not later than five years	60,325	58,847
Later than five years	15,164	29,504
	<u>90,570</u>	<u>103,063</u>

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.

16. Contingent Liabilities

There were no contingent liabilities as at 31 March 2018 (31 March 2017: None).

17. 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 2018, 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. There are no interests that may conflict.

18. Events after the Reporting Period

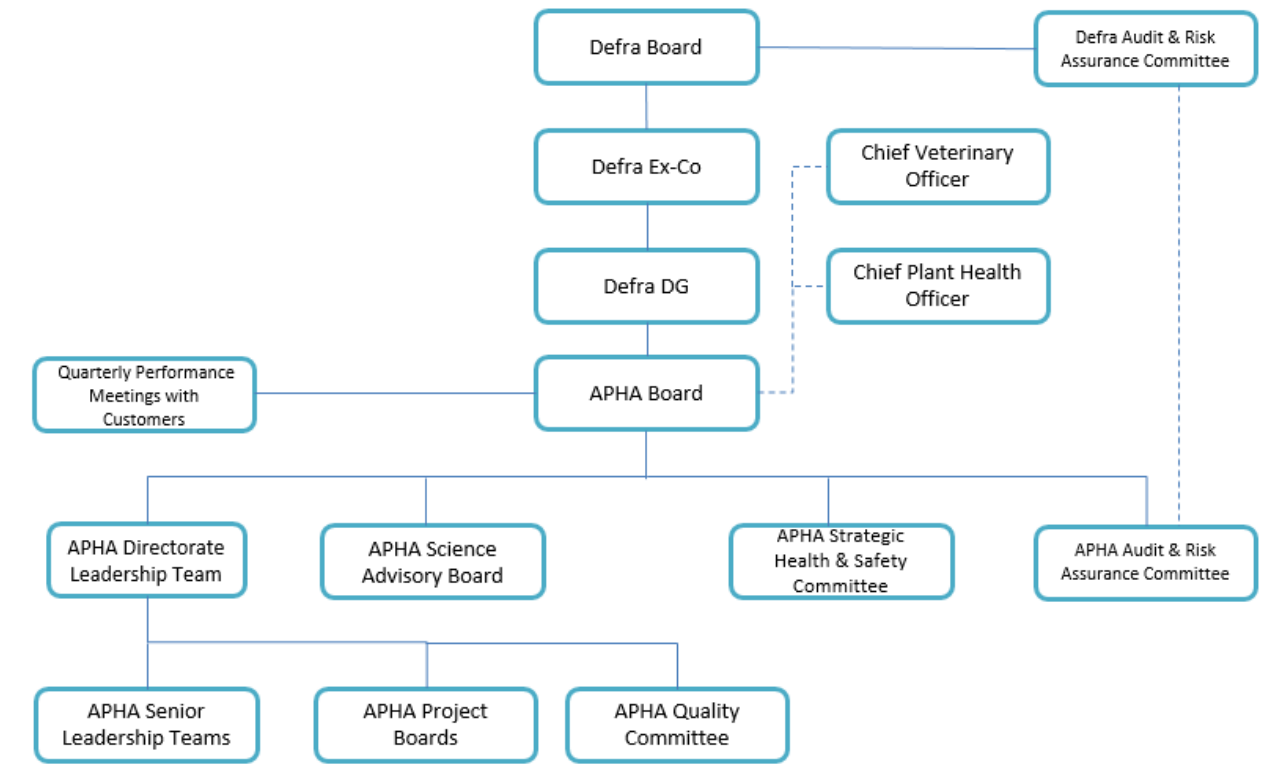
APHA's financial statements are laid before the House of Commons by the Secretary of State for Defra. IAS 10, Events after the Reporting Period, requires the Accounting Officer to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date of the Comptroller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

Chris Hadkiss,
APHA Chief Executive and Accounting Officer
03 July 2018

Annexes

These annexes do not form part of the financial statements and have not been subject to audit.

Annex A - Governance Map



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 Basic Payment Scheme deadlines	Met
	APHA will visit 95% of high priority welfare reports within one calendar day of notification	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	Not Met
	High Risk Area - Proportion of live herds under restriction as a result of a OTF-W bTB breakdown	Met
	All eligible persistent breakdowns to have an action plan in place within 3 months of being identified as a persistent herd	Met in Part
	Prevent the number of overdue TB herds (both RHT and SIT) rising above 400	Met
	During the financial year 2017/18 to have no more than 256 overdue herds in Scotland, by 31 March 2018	Met
	Complete agreed target level of OV audits	Substantially Met
	To support revalidation APHA will undertake an audit of low volume OVs where the OV gives 7 working days lead time on the test date	Met
	APHA will undertake audits of high volume testers, high risk test types or audits based on intelligence received	Met
	APHA will undertake scheduled practice audits on 25% of practices who have a QMS system in place	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 within the agreed timeframe	Met
	APHA will meet 100% surveillance deliverables within the agreed timeframe	Substantially 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	Met in Part
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 in Part
Exotic Disease	Veterinary Inspector dispatched to immediate level exotic disease within 30 minutes of the decision being made	Not Met
	For all report cases assessed by VENDU, deliver a good or excellent 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
	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

