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**REPORT FROM THE CHAIR OF THE MEAT HYGIENE SERVICE (MHS) BOARD  
FOR THE PERIOD FEBRUARY 2008 – SEPTEMBER 2008**

**EXECUTIVE SUMMARY**

1. This report from the MHS Board Chair to the FSA Board provides an overview of the work of the MHS Board and is supported by an appendix from the MHS Chief Executive providing information on MHS performance including progress on transformation and the development of new performance indicators.
2. The FSA Board is asked to **note** the report by the Chair of the MHS Board.

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FOR THE PERIOD FEBRUARY 2008 – SEPTEMBER 2008**

**Issue**

1. This report from the MHS Board Chair to the FSA Board provides an overview of the work of the MHS Board and is supported by an appendix from the MHS Chief Executive providing information on MHS performance including progress on transformation and the development of new performance indicators.

**Background**

2. The report forms part of the normal accountability arrangements between the MHS Board and the FSA Board and provides an overview of the work of the MHS Board from February 2008 to August 2008.

**Governance Overview**

**Protecting public health and animal health and welfare**

3. The MHS has achieved good progress towards modernisation and is committed to achieving further challenging goals that have been set by the FSA Board. The MHS and MHS Board are entirely committed to ensuring that the key role of the MHS to protect public health and animal health and welfare has not been and will not be put at risk during the transformation process.

**MHS Performance Management in 2007/08**

4. The MHS Board reviews MHS performance at each quarterly meeting. At its May meeting, the MHS Board considered MHS performance over 2007/08 against the MHS's five high-level corporate objectives, which are each underpinned by a balanced range of key performance indicators (KPIs). The MHS corporate objectives were to:
  - (i) deliver customer requirements
  - (ii) equip all our staff with the necessary skills, knowledge and information to deliver our services effectively.
  - (iii) e-enable all MHS processes working in partnership with our customers where appropriate.
  - (iv) operate within delegated resource budget and delegated cash budget for 2007/08.

(v) improve efficiency

5. The MHS Board concluded that the MHS had met all five objectives. The MHS Board commends the achievement of the MHS in 2007/08. The full assessment of MHS objectives is attached at Annex 1. As part of the MHS Board and MHS commitment to openness, MHS performance and the MHS Board assessment is published on the MHS Board section of the FSA website.

#### MHS Performance Management in 2008/09 to 2011/12

6. The MHS Board has requested from the executive a simplified key objectives framework of performance assessment going forward which will focus much more directly on outcome measurements. These key performance indicators will include public safety, efficiency, communications, human resources and customer satisfaction. These performance indicators will be implemented during the financial year 2008/09. MHS performance against the current targets set by the FSA Board is covered in paragraph 8 of the note from the MHS Chief Executive (attached at Appendix).
7. In February 2008, the MHS Board agreed the MHS Corporate Business Plan for 2008/09 – 2011/12. This plan will be updated annually. The plan includes challenging targets for the MHS and has been developed to be more commercially focused and place more emphasis on how transformation will affect operational delivery and MHS staff. A copy of the MHS Corporate Business Plan for 2008/09 – 2011/12 has been published and is provided separately.
8. The MHS Board recommended proposals for the future charging of official controls that were approved by the FSA Board in July. These proposals will, dependent upon Ministerial support, be the subject of public consultation by the FSA in September and are a crucial enabler for MHS to achieve its longer-term performance targets. The introduction of time-based charging and the reduction in public financial support to FBOs will introduce a commercial relationship between the MHS and FBOs to drive further reductions in MHS costs, reduce the cost of meat inspection to taxpayers and reward FBOs that improve their standards if official control time can be reduced.

#### MHS Board Changes

9. In February 2008, the FSA Board agreed proposals to establish the MHS Board as a sub-committee of the FSA Board and create a unitary MHS Board including the MHS Chief Executive and Defra's Chief Veterinary Officer as full members of the MHS Board. The further Executive positions created on the MHS Board have not been filled.

10. Subject to FSA Board agreement of proposals for a single MHS/FSA Audit Committee, the MHS Board welcome the improvements in transparency and accountability across the FSA family and the streamlining of governance from a single Audit Committee.
11. In May 2008, the FSA Board endorsed proposed changes in the membership of the MHS Board including not replacing the external Non-Executive Directors (NEDs) when their appointments ended in July 2008 and raising the number of FSA Board members on the MHS Board from four to five. This has ensured that non-executives remain in a majority on the MHS Board and that, through appointing FSA Board members Margaret Gilmore and Clive Grundy, the MHS Board has access to a wider range of skills and experience from the FSA Board. The MHS Board are grateful to the contribution made by the external NEDs Celia Bennett and Deryk Mead. The requirement for external NEDs will be kept under review and considered as part of the annual review of Terms of Reference by the MHS Board. This will be reported to the FSA Board in the MHS Chair's next report to the FSA Board, which is scheduled for March 2009.

#### Issues for consideration by the MHS Board in the next six months

12. The next six months will be a challenging period for both the FSA and the MHS in terms of achieving further changes to the delivery of official controls. The MHS Board are committed to supporting and challenging the MHS and FSA executive to achieve transformation goals and beyond. During the next reporting period, key issues that the MHS Board will consider include:
- Charging developments including the response to the charging consultation, implementation of robust checks and balances and how charges may be used to support and encourage compliance.
  - Development of FSA proposals on EC regulatory reform and UK national measures and pilots.
  - FSA/MHS communications delivery on changes to the delivery of official controls.
  - The relationship between the Department of Agriculture and Rural Development in Northern Ireland and FSA and MHS.
  - How any residual financial support to industry can be most effectively targeted.
  - Employee relations and morale.
  - The use of differential charging to reward FBOs who have a full record of compliance.

## **Conclusion**

13. The MHS Board commends the performance of all MHS staff in 2007/08 and can provide assurance to the FSA Board that it is continuing to support and challenge the MHS Executive in managing its business and achieving the goals of transformation agreed by the FSA Board. Key concerns continue to be management capacity, employee relations and morale and MHS reputation with stakeholders.

14. The MHS Board also offers assurance that public safety will continue to be paramount in everything the MHS does.

## **Attachments**

**Appendix** Note from the MHS Chief Executive for the period April 2008 to September 2008

### **Annexes**

- Annex 1 Assessment of MHS performance for 2007/08
- Annex 2 MHS Financial Position and Year-end Forecast
- Annex 3 Proposed MHS Board Key Performance Indicators
- Annex 4 Relationship between the performance reporting hierarchy and Governance level

## Note from the MHS Chief Executive for the period February 2008 – September 2008

### Issue

1. This report from the MHS Chief Executive supports the MHS Chair's report and provides information from the MHS executive on MHS business as usual activities and transformation progress.

### MHS business as usual

#### Operational Context

2. Between February 2008 and July 2008<sup>1</sup> inclusive, MHS staff carried out ante and post mortem inspection and ensured the humane slaughter and hygienic production of **12,253,570** red meat animals (including **221,048** OTM Cattle for human consumption) and **393,489,764** birds for human consumption. The red meat animal throughput is 0.3% above the MHS budgeted figure whilst the poultry throughput is 0.2% below the MHS budgeted figure for February 2008 to July 2008. A total of **28,561** cattle were disposed of under the Older Cattle Disposal Scheme.
3. Between February 2008 and July 2008 inclusive, **353** slaughterhouses / game handling establishments and **615** cutting plant audits were undertaken by the Meat Hygiene Service. Audit follow up visits were made to **61** cutting plants. Vertebral column removal in over 30 month cattle was supervised in **56** red meat cutting plants.

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<sup>1</sup> At the time of writing, July is the latest full month in which data has been received

4. The table below shows total enforcement (excluding verbal advice) over the last 12 months (August 2007 to July 2008 inclusive)

	No of actions taken	No of establishments
Written Advice	2,578	320
Hygiene Improvement Notices (HINs)	292	84
Remedial Action Notices (RAN)	100	35
Recommendations for Prosecution	27	18
Total	2,997	330 <sup>2</sup>

5. 44 out of 330 establishments (13.3%) contributed 50% of the enforcement undertaken between August 2007 and July 2008 compared to 50 out of 429 establishments (11.7%) between August 2006 and July 2007. Of the 44 establishments, 18 contributed to 50% of the enforcement undertaken during August 2006 and July 2007.
6. Between August 2006 and July 2007 there were 7,878 enforcement actions in 429 establishments. The notices per establishment between August 2007 and January 2008 represents a 50.5% decrease in enforcement actions, 48.1% decrease in written advice, 40% decrease in HINs, 23.1% decrease in RANs and a 47.6% decrease in recommendations for prosecution compared with August 2006 and July 2007. The decrease in prosecutions is likely to be due to the approvals process requiring premises to reach specific standards in order to gain approval.

#### Protecting public health and animal health and welfare

7. The MHS has been set challenging goals to transform and is committed to achieving them. The MHS is committed to ensuring that the key role of the MHS to protect public health and animal health and welfare has not been and will not be put at risk during the transformation process.

#### Achieving MHS corporate objectives for 2008/09

8. Based on performance to date, the MHS executive believe that the MHS is on track to achieve the MHS corporate objectives for 2008/09 including the financial targets set for gross expenditure, net cost of operations and cost per livestock unit. The latest financial position and year-end forecast is at Annex B.

<sup>2</sup> An establishment may have more than one type of enforcement action taken against it for the same offence

### Breaches

9. The MHS has been set an extremely challenging target for breaches to TSE regulations. So far this financial year (April 2008 to July 2008), one breach of TSE testing regulations by FBOs has been reported, which resulted from a single sheep carcass containing the spinal cord. During the same period, 0.7 million bovines and 4.3 million sheep were slaughtered for human consumption representing a compliance rate of 100% for bovines and 99.99998% for sheep.

### Proportionate SRM controls

10. Guidance to help Food Business Operators work with MHS Lead Veterinarians and Business Managers to determine the possibility of 'cold inspection' in red meat slaughterhouses was issued in July. Cold inspection will allow some streamlining of veterinary attendance. Workshops with industry, policy and MHS stakeholders on the transfer of dentition checks for ageing of sheep and goats from MHS to FBO responsibility are being organised for early September. The introduction of these changes have the potential to save up to £1m per annum.

### Approval arrangements

11. At 31 May 2008, 18 game handling establishments and 41 catering butchers had transferred from Local Authority to MHS control following approval as cutting plants. Around a further 140 catering butchers are currently expected to require approval. Following the FSA bringing in additional resource to speed up the approval process, a number of catering butchers are expected to transfer to the MHS in the next few months, with the bulk due by the end of November. Resource implications of the MHS taking on these additional premises are being considered in light of the latest numbers.
12. To assist the FSA, the MHS is working with Veterinary Meat Hygiene Advisor team to help the FSA in the ongoing exercise for the approval of previously licensed standalone cutting plants.

### Collaborative working with FBOs in developing IT systems for online recording

13. The MHS is working collaboratively with industry to develop electronic systems for online recording of ante- and post-mortem inspection results. Collaborative working will provide a great opportunity to increase MHS efficiency, particularly in larger slaughterhouses. A framework is being developed to help FBOs work with the MHS and third party suppliers.

## Health and Safety

14. The majority of MHS staff work in environments that can pose significant challenges to health and safety. The MHS is committed to ensuring that these challenges are managed appropriately. In 2007/08 there was a 13% year-on-year reduction of accidents with injury across the MHS. Lost time due to injury and occupational ill health, also showed a sustained reduction over 2007/08 and this position has continued into the first quarter of 2008/09.

## Sickness Absence

15. Sickness absence has reduced significantly during the past 12 months from 24.4 average days lost per person in April 2007 to 16.5 days in April 2008. However, whilst the long term sickness absence trend has reduced the short term sickness absence trend has increased. In common with other government departments, the MHS have approximately one third of staff who have not had any sickness absence during the last financial year. The MHS is focussing on managing short term absence issues and continuing the good progress made in managing long term absence.

## Customer Satisfaction Survey

16. During the 2007/08, the MHS received 16 referred complaints from FBOs which is a significant decrease on 2006/07 when 40 were received (and 43 in 2005/06). The MHS has made progress in the area of improving the communications skills of operational and office staff, which may have contributed to the decrease in formal complaints.

17. The MHS's 2008 Industry Satisfaction Survey has revealed that FBO's overall satisfaction with MHS services was up from 6.4 (on a scale of 1 to 10 with 10 being the most favourable score) in 2007 to 7.2 this year. The response rate was 16%. Whilst this is a reasonable rate for this type of survey, the MHS will be working to improve the survey response rates and find improved means for distributing the survey.

## **MHS Transformation**

### Working in partnership with stakeholders to deploy MHS resources efficiently

#### *Business Agreements*

18. Currently, the MHS agrees operational time with FBOs through Agreed Operating Hours and the service the MHS provides is built around this agreement. The

Business Agreement (BA) will improve on this existing approach by explaining why the MHS provides its services and will encourage the identification of efficient methods of working for both the FBO and MHS. The BA will be jointly completed by the FBO and MHS Business Manager. Industry representatives have helped to develop the BA and are generally in favour of its use, however, some representatives raised concerns over whether the BA would restrict their hours of operation and force them to pay for time agreed but not worked.

19. The agreement of operational time will lead to 'leaner' MHS operational teams through a reduction in OV presence or the number of inspectors. This may affect the MHS's ability to react to short-notice changes or unexpected events as MHS staffing levels currently mitigate the risk of service failure. FBOs will therefore need to balance the level and cost of the MHS service that they require in the BA against the operational risk they are prepared to accept of there being insufficient MHS staff available to carry out ante-/post-mortem inspections at certain times. For example, if an MHS team is reduced to one OV and one MHI the line may need to be slowed or even halted for a time if the OV is called away from carrying out post-mortem inspections to carry out ante-mortem inspections on further animals being delivered.

#### *Optimisation Project*

20. The optimisation project was commissioned by the MHS/FSA executive to is an important element to support the implementation of the Business Agreement. The project team involving MHS, FSA and industry members will visit a total of 20 plants where there may be significant opportunities for efficiencies in MHS resources through the MHS, FSA and FBOs working together more effectively. The project aims to identify common themes or actions that the MHS/FSA/FBOs can undertake to improve the efficiency of the deployment of MHS resources. An interim report has been produced and circulated to the Advisory Body on Official Controls and the most significant conclusion from the work so far is that optimisation of MHS resources in slaughterhouses entails a transfer of operational and business risk from MHS to FBOs. In some cases, improvements in MHS efficiency will require an FBO to make physical and/or operational changes to their premises. Abattoir visits are planned to be completed by 14 September, with the final report likely to be issued on 26 September. The Advisory Body and the FSA will be briefed on the conclusions of the review.

#### Charging

21. The FSA Board approved charging proposals in July to introduce time-based charging and reduce the support to industry by increasing MHS charges by 12% in 2009/10. Subject to Ministerial support, these proposals will be the subject of public consultation by the FSA in September and are a important enabler for MHS to achieve its longer-term performance targets by introducing a commercial relationship

between the MHS and FBOs to drive further reductions in MHS costs, reduce the cost of meat inspection to taxpayers and reward FBOs that improve their standards if official control time can be reduced.

#### Modernisation of MHS employment practices and terms and conditions

22. Modernisation of MHS employment practices and terms and conditions are a key element of MHS transformation and are vital for the MHS to achieve flexibility and cost effectiveness of service delivery. In February 2008, UNISON members rejected the initial MHS proposals for changes to terms and conditions. Whilst the MHS were disappointed that UNISON chose not to negotiate but to ballot on the initial proposals, the MHS have been pleased with the constructive meetings that have been held with UNISON following the ballot and the MHS value the positive signs of support from UNISON and their commitment to achieving a negotiated settlement in line with the management of change agreement. The MHS look forward to further productive negotiations with UNISON to agree modernisation of terms and conditions that provide for a sustainable future for the organisation and staff.

#### Key Performance Indicators

23. The FSA Board on 7 May 2008 accepted the Advisory Body recommendation that the MHS produce a limited number of meaningful qualitative and quantitative performance indicators to monitor MHS performance. This will provide a clear and transparent framework against which the MHS and stakeholders can measure progress in transforming. It will also allow the MHS to align its performance reporting with that used by other Directorates within the FSA.

24. As recommended by Cabinet Office guidance on setting key targets for Executive Agencies, the MHS targets are focussed on the areas of Quality, Customer Service, Efficiency, Financial Performance and Volume. The Key Performance Indicators proposed by the MHS/FSA Executive for 2009/10 are attached at Annex C. The MHS will seek to introduce the new Key Performance Indicators from 1 April 2009 to allow time to implement appropriate performance management systems for accurate and timely reporting. The relationship between the performance reporting hierarchy and governance level is illustrated in Annex D.

#### **Conclusion**

25. The MHS has made significant progress to transform and the pace of change of transformation will continue. MHS transformation will not put public health or animal health and welfare at risk.

## Assessment of MHS performance against corporate objectives, 2007/08

In line with Cabinet Office requirements for Executive Agencies, the MHS Framework Document requires the setting of annual performance targets for the MHS. Such targets or objectives should cover quality and delivery of service, financial performance and efficiency. Responsibility for setting corporate objectives for the MHS rests with the MHS Board, on behalf of the FSA Board.

The MHS Board met on 29 May 2008 and assessed MHS performance against the corporate objectives set for 2007/08. It concluded that the five objectives had been met.

### **Objective 1 – To deliver customer requirements**

Of the ten performance indicators for this objective, eight were met in full (including animal health and welfare, hygiene and assurance on delivery standards) and two in part – BSE controls and customer satisfaction.

MHS verification of BSE controls compliance remained exceptionally high at 99.9997% – out of 2,209,845 bovines processed in 2007/08, six breaches were reported. Five Over Thirty Month (OTM) bovines were processed as Under Thirty Month (UTM) and not tested for BSE prior to being released into the human food chain, and there was one SRM breach where spinal cord was found in a quarter of beef received at a cutting plant. The risk to public health from these breaches was minuscule. The MHS will continue to strive for zero breaches of BSE controls.

Customer satisfaction results from industry and FSA improved on last year. Industry increased by 12.5% from 6.4 in 2006/07 to 7.2 in 2007/08, and FSA's satisfaction with the MHS increased from 5.4 to 6.6 – a 22.2% improvement. Although the result for Defra was 7.7 against a target of 7.8, this was still considered to be a good result.

As the vast majority of the indicators for this objective were met, and the two that were missed presented minuscule risk to public health, the MHS Board considered that Objective 1 had been substantially met.

### **Objective 2 – To equip all our staff with the necessary skills, knowledge and information to deliver our services effectively.**

Five out of the six indicators supporting this objective were met, including delivering the HR policy and training programmes. Implementation of two of the Health & Safety strategy components missed their target deadlines, but were implemented by the end of the financial year.

Although the Health & Safety indicator missed its deadline, the MHS Board considered that Objective 2 had been met.

**Objective 3 – To e-enable all MHS processes working in partnership with our customers where appropriate.**

The indicators contributing to the IS/IT Strategy for 2007/08 were met. These included: identifying and delivering the requirements for the e-enablement of business processes; presenting the stakeholder analysis to improve access to e-enabled services to the Senior Management Team; and developing the business case for IT systems to enable changes to current business practices and underpin the transformation cost savings.

The MHS Board considered that Objective 3 had been met.

**Objective 4 – To operate within delegated resource budget and delegated cash budget for 2007/08.**

All indicators supporting this objective were achieved, including all financial targets set for 2007/08 – gross cost, net cost, cost per livestock unit and cash.

The MHS Board considered that Objective 4 had been met.

**Objective 5 – To improve efficiency**

All corporate indicators supporting this objective were achieved, including: implementing the Staffing Verification Team recommendations; producing the functionality for version 2 of Food Chain Information / Collection and Communication of Inspection Results for pigs; and submitting the MHS bid to the FSA review of the delivery of official controls.

The MHS Board considered that Objective 5 had been met

## MHS Financial Position

### Summary Financial Highlights

- The MHS financial position as at 31 July 2008 - £1.1m better than budget excluding exceptional items; and £0.5m favourable including Transformation expenditure.
- The MHS is forecast to be on budget inclusive of exceptional items as at 31 March 2009. 'Business as usual' will be £2.5m below budget. Transformation costs will be (£2.5m) above budget.
- The cash target is **£0.1m** favourable to budget as at 31 July 2008.

### Year to Date Position

The above forecast is based on the following July year-to-date figures excluding exceptional items and is correct as at 31 July 2008.

	Year-to-date Actual	Year-to-date Budget	Variance against Budget
<b>Gross Expenditure (a)</b>	£25.7m	£27.5m	£1.8m
<b>Income</b>	£15.8m	£16.5m	£0.7m
<b>Net Cost of Operations (b)</b>	£9.9m	£11.0m	£1.1m
<b>Cost per Livestock Unit (c)</b>	£12.56	£13.08	£0.52
<b>Transformation</b>	£1.0m	£0.4m	(£0.6m)

## 2008-09 MHS Full-Year Forecast

The MHS forecasts that it will meet all three financial targets set for it by the FSA – Gross Cost (a), Net Cost (b) and Cost per Livestock Unit (c).

	<b>Forecast 2008-09 (as at Jun 08)</b>	<b>Budget 2008-09</b>	<b>Variance against Budget</b>	<b>Actual 2007-08</b>
<b>Gross Expenditure (a)</b>	£77.9m	£84.6m	£6.7m	£86.0m
<b>Income</b>	£48.4m	£52.6m	(£4.2m)	£54.7m
<b>Net Cost of Operations (b)</b>	£29.5m	£32.0m	£2.5m	£31.3m
<b>Cost per Livestock Unit (c)</b>	£12.10	£12.84	£0.74	£13.21
<b>Transformation</b>	£5.5m	£3.0m	(£2.5m)	£10.6m

## 3 Year Financial Plan

<b>Annual Totals</b>	<b>2006-07 Actual</b>	<b>2007-08 Actual</b>	<b>2008-09 Forecast</b>	<b>2009-10 Forecast</b>	<b>2010-11 Forecast</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Resource expenditure</b>	91,330	87,077	77,907	82,110	83,954
<b>Income</b>	58,041	55,743	48,379	56,635	63,966
<b>Net Cost of Operations</b>	33,290	31,334	<b>29,528</b>	<b>25,475</b>	19,989
<b>Livestock Units</b>	6,472,675	6,591,622	6,439,299	6,588,000	6,588,000
<b>Cost per Livestock Unit</b>	£14.11	£13.21	£12.10	£12.46	£12.74

## Proposed KPIs for 2009/10:

	KPI	Measure
<b>Volume</b>	FBO Compliance	Average monthly FBO Audit Score
		Reduction in number of persistently non-compliant premises. [Criteria being developed]
<b>Quality</b>	Accuracy of post-mortem inspection.	[System for assessment being developed]
	Accuracy of auditing	Measured by Lead Veterinarians and MHS and FSA Audit. [Measurement methodology to be agreed]
	Customer Complaints	Number of complaints upheld.
<b>Customer Service</b>	Industry and Government Satisfaction	Annual customer satisfaction results.
<b>Efficiency</b>	Cost Per Livestock Unit	Does not exceed budget for CPLU.
	Reduction in overhead	Continuous relative reduction in overhead cost.
<b>Financial</b>	Gross Costs of Operation	Deliver savings identified in Corporate Business Plan.
	Net cost of operations	Does not exceed budgeted net cost of operations.

# Relationship between the performance reporting hierarchy and Governance level

