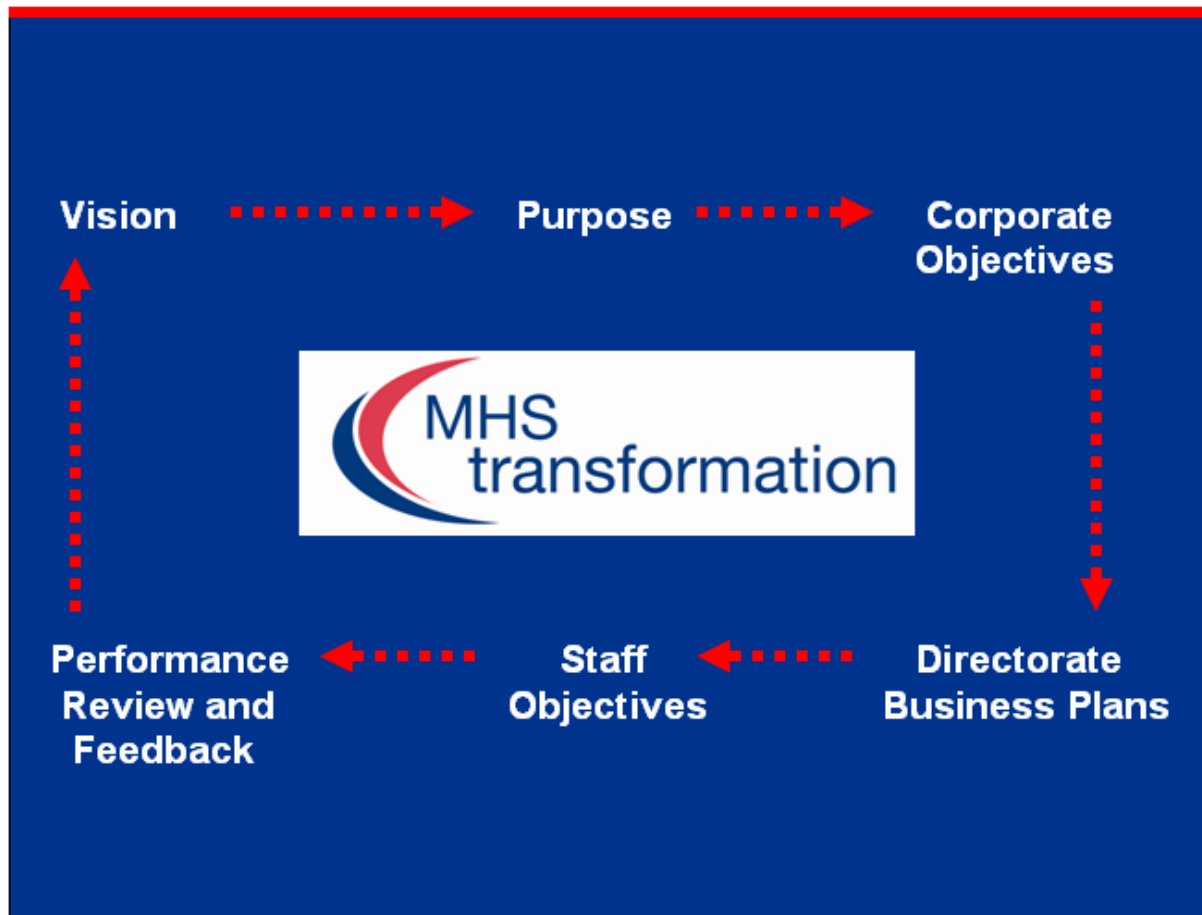




# Corporate Business Plan 2008/09 – 2010/11



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## Introduction

**The Meat Hygiene Service (MHS) is an Executive Agency of the Food Standards Agency (FSA).**

It was first established as an Executive Agency of the former Ministry of Agriculture, Fisheries and Food (MAFF) on 1 April 1995 when it took over meat inspection duties from some 300 local authorities and became a single agency responsible for the enforcement of meat hygiene legislation in Great Britain. On 1 April 2000 the MHS transferred from MAFF to become part of the newly created Food Standards Agency.

### Vision

**Safe meat produced from well cared for, healthy animals**

The Meat Hygiene Service is responsible for providing verification, audit and meat inspection services in approved slaughterhouses, cutting plants, game handling establishments, and co-located minced meat and meat preparation premises. The MHS has a statutory duty to provide these services on demand with reasonable period of notice, 24 hours a day, 365 days a year throughout England, Scotland and Wales.

### Purpose

**To deliver official controls in approved meat premises to protect public health and animal health and welfare**

Through the proportionate enforcement of GB and European legislation, the MHS is responsible for the protection of public health and animal health and welfare.

## Foreword

**We have continued to achieve a great deal as an organisation over the last year and are well on the way to transforming the MHS into a public sector organisation that can stand comparison against any regulator in the UK.**

It is my personal intention that throughout the implementation of all of these changes, all colleagues will be considered fairly, honourably and with respect. We will continue to remain open about decisions and to keep staff fully informed of changes. Decisions have been challenging and have had personal consequences, but are essential to take the MHS forward through 2008/09 and beyond.

We have already made significant efficiencies during 2007/08. A reduction of 134 front line posts delivered annual savings of £4m. A Voluntary Severance scheme has been launched to all managerial and administrative staff which will deliver further savings during 2008/09.

During 2008/09 we will introduce a new operational structure designed around geographical clusters of meat production premises. This will allow us to maximise the effectiveness of our service delivery and provide clear financial gain through a reduction in contract costs. Whilst we will continue to operate as a single distinct organisation, the cluster structure will provide more flexibility and facilitate local decision-making and accountability.

In order to deliver these efficiencies, it is essential that industry transforms with us. Following consultation, we will develop a revised charging system based on industry paying a greater share of the cost of the delivery of official controls for implementation from 1 April 2009. To offset increased charges to industry, we will deliver cost reductions of nearly £5m in real terms in 2008/09, on top of those already delivered in 2007/08.

In delivering our purpose of public health, and animal health and welfare protection, increased efficiency will be at the forefront of our minds.

I am confident that through the hard work of our staff and delivery partners, 2008/09 will be a successful year for the MHS.

**Steve McGrath**  
**Chief Executive**  
**April 2008**



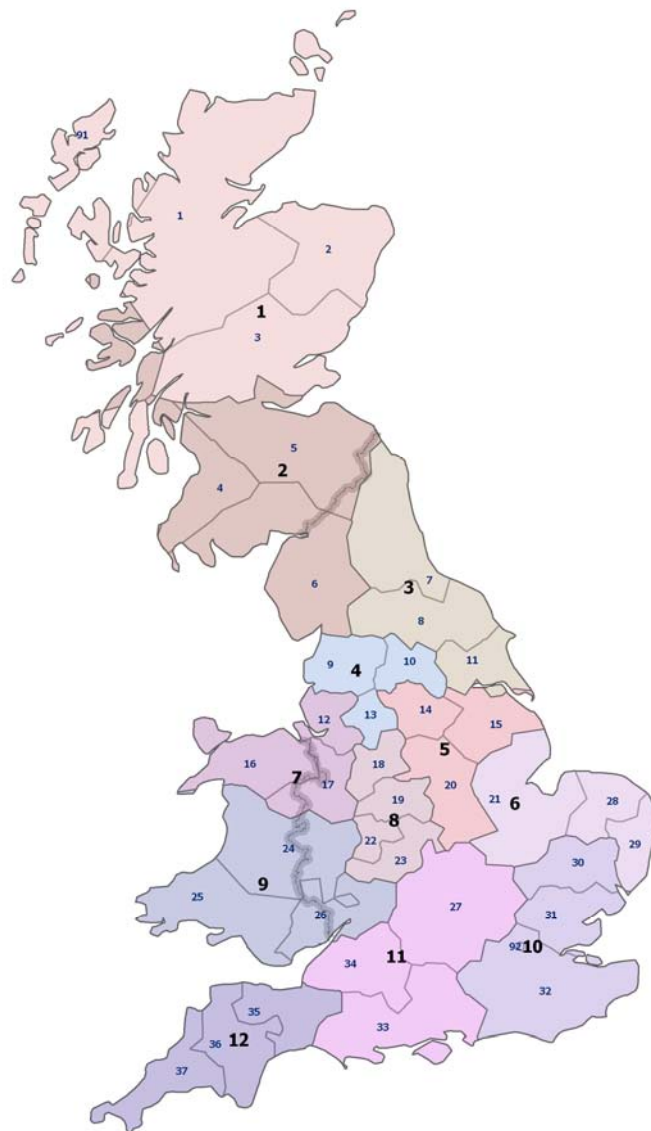
## Strategic Direction

**The Food Standards Agency's (FSA) long-term regulatory vision for meat production is for the total cost of audits and inspections to be met by the meat industry, not the taxpayer. Currently the meat industry is subsidised by the FSA at a cost to the tax payer of over £30m per year.**

To achieve this, the Meat Hygiene Service is implementing radical changes to create a more efficient and effective service and is working with the FSA and industry on developing a new charging system. The planned cost savings together with the progressive increase in charges being proposed are expected to reduce the subsidy to industry to around £10 million in real terms by 2012/13. Once the new charging system has been fully implemented and MHS cost reductions are fully in place, the industry will pay significantly less in real terms than it did, before the introduction of the Maclean charging system.

Last year saw a reduction of 134 frontline posts, resulting in an annual saving of £4m. In 2008/09, we will continue to streamline our operational structure. Our five regional offices will close. Approved premises will be allocated to one of 37 geographical clusters. A Lead Veterinarian will be responsible for both technical and managerial business for each cluster and will report to a new position of Business Manager. There will be 12 Business Managers, reporting to two Business Directors who will each be responsible for all aspects of operational delivery across a half of Great Britain.

These changes are essential to



maximise the effectiveness of service delivery and for the MHS to operate as a single distinct organisation.

New IT systems have been introduced which will improve the efficiency of many of the organisation's business processes. Timesheets are now completed in plants and go directly through to the finance system with no manual intervention needed. We are making continuous improvements to the IT infrastructure, including the introduction of laptops and modems to allow users to connect to the internet without the use of a telephone line. Further investment in IT will lead to further reductions in staff numbers.

In 2007 a review was carried out to look at the opportunities for increasing efficiency and effectiveness of corporate service functions between the MHS and the FSA. We will identify areas where we can streamline services in 2008/09 to better complement our frontline delivery support requirements. We will aim to share services with the FSA where there is a clear business benefit.

A Voluntary Severance Scheme was launched to all staff in January 2008. It is expected that a further reduction of 130 Full Time Equivalent posts will be delivered during 2008/09, the majority of which will be managerial and support, resulting in an annualised saving of around £5.5m.

The MHS will work in partnership with industry in moving towards a risk-based, proportionate approach to the delivery of official controls, in which all Food Business Operators will need to take clear responsibility for the hygienic production of meat.

Whilst we are transforming to improve efficiency, we will not lose sight of our key priorities of public health and animal health and welfare protection.

## Corporate Objectives

- Objective 1** To deliver effective official controls in line with customer requirements.
- Objective 2** To further develop teams with the right knowledge, information, behaviour and capability to deliver our services effectively.
- Objective 3** To adopt appropriate electronic services where justified, in partnership with customers and end users.

**Objective 4** To operate within the key financial targets:  
- Gross Costs of operations  
- Net Costs of operations

**Objective 5** To reduce the Cost Per Livestock Unit (CPLU) year on year.

## Balanced Scorecard

**The MHS will continue to use the Balanced Scorecard approach to performance management which was first implemented in 2006/07.**


The Balanced Scorecard translates the MHS Purpose into four key areas:


- Customers & Stakeholders
- Finance
- People
- Internal Processes & Efficiency


Listed within each of the quadrants are the Corporate Performance Indicators and Targets which we will aim to meet during 2008/09 to ensure we achieve our Objectives.

All Directorates manage their own Balanced Scorecard which supports the Corporate Balanced Scorecard. Individual staff objectives link into the Directorate Balanced Scorecards, which allows staff to easily see how their work contributes to the Corporate Objectives and Vision.

MHS performance is monitored using a RAG (Red, Amber, Green) system. Each indicator is assessed against specified levels of performance and assigned a RAG status.

 **Red** Performance is below the desired level and the action plan and resources in place may not be sufficient to return to the desired level, necessitating further intervention.

 **Amber** Performance is below the desired level of performance, but actions and resources are in place to return performance to the desired level without further intervention.

 **Green** Performance is on track to achieve or exceed planned target.

An Exception Report is completed for any indicator showing Red or Amber status to explain the reasons why the indicator is not on target and the action proposed to return it to the desired level of performance.

The MHS reports performance to the MHS Senior Management Team on a monthly basis and to each meeting of the MHS Board (on behalf of the FSA Board).

The Balanced Scorecards are uploaded to the MHS Intranet on a monthly basis (under Performance Management) and to the FSA web site on a quarterly basis.

## Corporate Indicators and Targets 2008/09

<b>CUSTOMERS AND STAKEHOLDERS</b>				
Corporate Indicator No	Corporate Objective	Indicator	Lead Directorate	Target
1	1	Establish and deliver customer requirements as set out in SLAs and provide assurance on delivery standards:	Ops / VetTec	Agree and deliver all SLA requirements with policy customers and in accordance with the priorities framework.
	1	BSE controls		
	1	Animal Health & Welfare - including notifiable disease surveillance		
	1	Hygiene		
	1	provide assurance on delivery standards.		
2	1	To move to a risk based audit and inspection regime for SRM controls in Under Thirty Month cattle, sheep and goats	VetTec / Ops	Implement changes in accordance with timetable agreed with customers and stakeholders
3	1	Implementation of legislative and policy changes	VetTec / Ops	Implement in accordance with timetable
4	1	Engage with FSA and Defra on policy reform and flexibility in delivery of Official Controls	VetTec	Deliver through TMHS programme, in accordance with agreed timetable
5	1	Professional Business and Customer Services	BDU	Maintain Charter Mark and ISO9001:2000 accreditation. Strive to improve Government and FBO satisfaction with MHS service delivery.

## Corporate Indicators and Targets 2008/09

<b>Finance</b>				
<b>Corporate Indicator No</b>	<b>Corporate Objective</b>	<b>Indicator</b>	<b>Lead Directorate</b>	<b>Target</b>
6	4	Produce 2007/08 Annual Report and Accounts	Finance	Clean audit certificate. Lay report before Parliament before summer recess
7	4	Operate within Net budget for the financial year	Finance	Within Budget
8	4	Operate within Gross Budget for the financial year	Finance	Within Budget
9	5	Operate within CPLU budget	Ops	Within Budget

## Corporate Indicators and Targets 2008/09

<b>Internal Process &amp; Efficiency</b>				
<b>Corporate Indicator No</b>	<b>Corporate Objective</b>	<b>Indicator</b>	<b>Lead Directorate</b>	<b>Target</b>
10	3	Implement eMHS (Phase 2)	Ops / VetTec / IT / Finance /HR (EMHS BOARD)	Deliver programme against agreed timetable and requirements informed by the TMHS programme.
11	3	IS/IT Strategy	IT	Prepare strategy under the TMHS Programme to achieve Transformation Targets in line with business priorities
12	4	Develop and implement new charging arrangements for 2009/10	Finance	To be implemented by 30 March 2009
13	1	Introduce new operational delivery contract between MHS and FBOs	Ops	Contracts to be awarded by 1 October 2008.
14	1	Develop Operational Resource Strategy that reflects a Transformed MHS (SVT2)	Ops	To be implemented by 30 March 2009
15	3	Implement new Operational Management and Support Structure (including Clusters)	Ops	Deliver in accordance with project plan.
16	2	Corporate Services Review	BDU	Deliver in accordance with project plan.

## Corporate Indicators and Targets 2008/09

<b>People</b>				
<b>Corporate Indicator No</b>	<b>Corporate Objective</b>	<b>Indicator</b>	<b>Lead Directorate</b>	<b>Target</b>
17	2	Deliver and implement HR policy programme	HR	Deliver programme against agreed timetable and requirements informed by the TMHS programme.
18	2	Deliver training and development programme	HR	Deliver training and development opportunities in the agreed Corporate People Development Programme and Timetable.
19	2	Maintain and implement H&S Strategy	HR	Deliver Year 2 of the Health & Safety Action Plan within the agreed timetable.
20	2	Investors In People	HR	Deliver the agreed MHS action plan in preparation for reaccreditation by June 2009.
21	2	Equality & Diversity Strategy	HR	Ensure that the Diversity Action Plan is shared, understood and implemented across the MHS.
22	2	Transforming MHS culture and behaviour	HR	Implement agreed vision and values through development of the Leadership & Management and Technical Competencies Framework.
23	2	Flexible Terms & Conditions	HR	Implement new Terms and Conditions

# Customer and Stakeholder Focus

The MHS has a wide range of stakeholders including customers and clients, with individual and collective interests in what we do and how well we do it.

Our customers are government departments for whom we deliver services specified in a Service Level Agreement, and our clients are Food Business Operators in whose premises we deliver official controls.

Communicating effectively with all our customers, clients and wider stakeholders is essential in building their confidence with MHS.

The MHS is committed to dealing with all customers and clients fairly and sensitively.

We recognise that staff are our most valuable resource. It is essential that our workforce is respected and has the right skills and experience necessary to delivery our services.



## Wider Stakeholders:

Consumers, animal welfare organizations, farmers, retailers, trade bodies, etc



## Customers:

Government Departments



## Clients:

FBOs



## MHS Staff:

Employed and contracted

## Sustainable Development

All Government Departments are required to have a Sustainable Development Action Plan. To ensure that sustainability is embedded within all aspects of its work the MHS considered the government's principles of sustainable development during the development of the MHS Business Plan and Corporate and Directorate Balanced Scorecards. Key sustainability indicators are identified and these form the basis of the MHS Sustainable Development Action Plan. The principles are:

- Living within environmental limits – ensuring the natural resources needed for life are unimpaired and remain so in the future;
- Ensuring a strong, healthy and just society – meeting diverse needs and creating opportunity for all;
- Achieving a sustainable economy – with efficient use of resources;
- Promoting good governance – effective participative systems of governance in all levels of society; and
- Using sound science responsibly – strong scientific evidence, taking into account scientific uncertainty, public attitudes and values.

## MHS Complaints Procedures



Customer feedback gives us the opportunity to see where our services can be improved, which can lead to increased levels of customer satisfaction.

The official MHS complaints procedure was revised in 2007 and a leaflet entitled 'How to make a complaint, comment or compliment about our service' was distributed to all Food Business Operators and key stakeholders.

In addition to complaints, the MHS welcomes more general comments about our service as well as compliments.

## Customer Surveys

The MHS regularly seeks feedback from Food Business Operators and Government Customers in order to assess the effectiveness of our services and to make changes to our business processes as a result. One means of doing this is by way of the annual Industry Satisfaction Survey. The survey is sent to all food business operators in January each year and seeks feedback on operational performance, the enforcement process and overall perceptions about MHS service delivery. The survey also probes opinion on more topical issues each year.

The survey provides a means of gathering valuable data for year on year comparisons and for effecting targeted changes to our business strategy.



## Efficiency Plans

The MHS is committed to delivering efficiency savings for 2008/09 and beyond.



The reduction of 134 frontline posts in 2007/08 achieved an annual saving of £4m. During the next 4 year period, the MHS will transform rapidly, decreasing costs by almost 16% in real terms since 2006/07.

Table 1 below shows the financial forecast to 2010/11 in real terms. Real terms exclude the effect of inflation, ie: what the costs would be if inflation were zero percent. The total cost of operations for 2008/09 has been forecast at £82m. Income of £27m from Government and £24m from industry is forecast. This gives a total operating cost at £82.5m, just over a 5% saving on 2007/08.

**Table 1 – Financial forecast in real terms**

	2006/07	2007/08 <sup>1</sup>	2008/09	2009/10	2010/11
<b>Total Operating Costs</b>	<b>91,327</b>	<b>86,984</b>	<b>82,489</b>	<b>77,396</b>	<b>76,830</b>
Industry Regulated Income	(23,427)	(23,772)	(24,274)	(26,237)	(31,809)
Industry SRM Income	0	0	0	(395)	(701)
Government Income	(34,610)	(31,971)	(27,147)	(26,751)	(26,027)
<b>Revenue</b>	<b>(58,037)</b>	<b>(55,743)</b>	<b>(51,421)</b>	<b>(53,383)</b>	<b>(58,537)</b>
<b>Net Cost of Operations</b>	<b>33,290</b>	<b>31,241</b>	<b>31,068</b>	<b>24,013</b>	<b>18,293</b>
Total Set up Costs	0	9,592	8,071	4,475	1,300
Operating Cost Per Livestock Unit	£14.11	£13.21	£12.52	£11.75	£11.66
Livestock Units	6,473	6,577	6,588	6,588	6,588

<sup>1</sup> Provisional accounts as at 15 April 2008, excluding Transformation set up costs.

The figures shown in the financial forecast in Table 1 above are not adjusted for inflation in order to show the real savings MHS is making. However, the financial targets are set in monetary terms, including inflation, and these are shown in Table 2 below.

**Table 2 – Financial forecast in monetary terms**

	2006/07	2007/08 <sup>2</sup>	2008/09	2009/10	2010/11
<b>Total Operating Costs</b>	<b>91,327</b>	<b>86,984</b>	<b>84,963</b>	<b>82,110</b>	<b>83,954</b>
Industry Regulated Income	(23,427)	(23,772)	(25,002)	(27,835)	(34,759)
Industry SRM Income	0	0	0	(419)	(766)
Government Income	(34,610)	(31,971)	(27,961)	(28,381)	(28,440)
<b>Revenue</b>	<b>(58,037)</b>	<b>(55,743)</b>	<b>(52,963)</b>	<b>(56,635)</b>	<b>(63,965)</b>
<b>Net Cost of Operations</b>	<b>33,290</b>	<b>31,241</b>	<b>32,000</b>	<b>25,475</b>	<b>19,989</b>
Total Set up Costs	0	9,592	8,313	4,748	1,421
Operating Cost Per Livestock Unit	£14.11	£13.21	£12.90	£12.46	£12.74
Livestock Units	6,473	6,577	6,588	6,588	6,588

Transformation costs (covering IT, severance, recruitment, consultancy fees, etc) are being incurred to implement the proposed efficiency savings. These costs are funded by an increased budget delegation for 2007/08, together with an improvement in Net Operating Cost against budget due to better than forecast cost reductions being delivered, and additional revenue received from government customers. Our financial model demonstrates that 2007/08 and 2008/09 transformation costs will be paid back by 2009/10 and 2010/11 respectively.

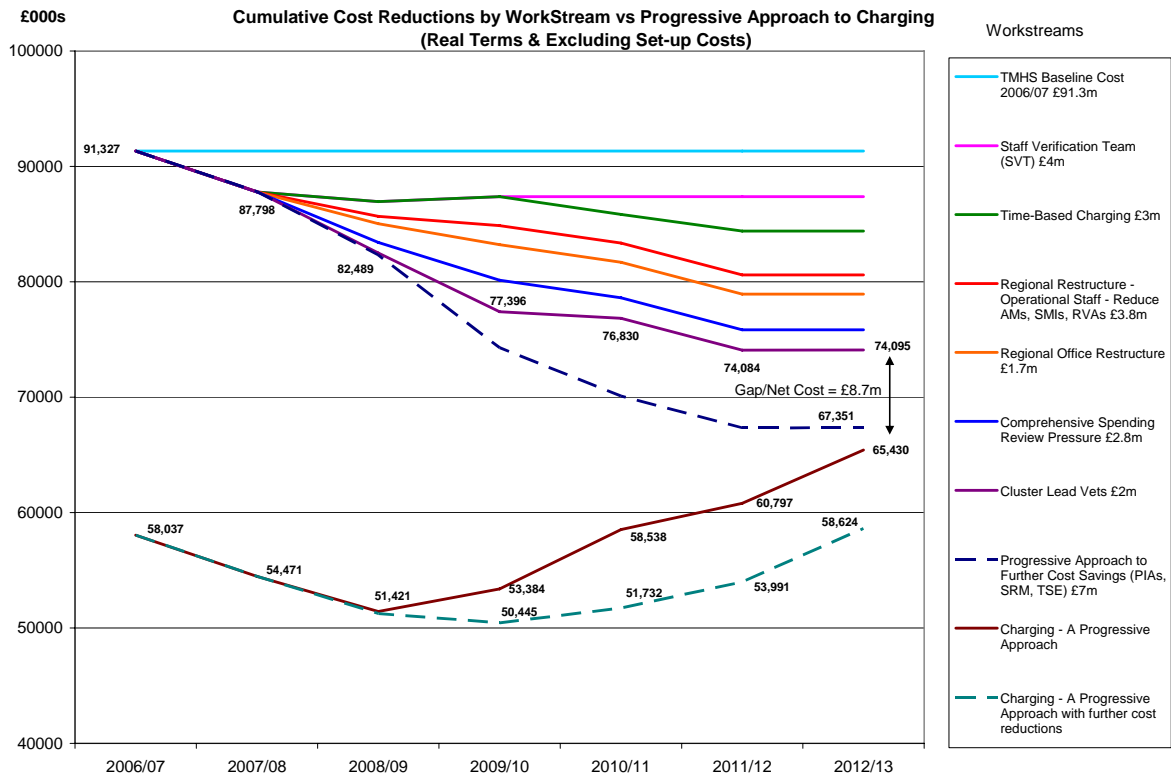
Further efficiency savings may be delivered by eliminating specific SRM tasks and by encouraging more FBOs to employ Plant Inspection Assistants for carrying out certain official control duties in poultry slaughterhouses. Building on changes introduced in 2007/08, the introduction of further risk based SRM controls would allow the MHS to carry out “cold inspection” in small slaughterhouses which would remove the need for constant official presence, moving towards a system of FBO controls on ageing of sheep and goats, and dentition checks where FBOs demonstrate high levels of compliance. If these changes come to fruition, it may be

<sup>2</sup> Provisional accounts as at 15 April 2008, excluding transformation set up costs.

possible to reduce frontline resources by a further 200 Full Time Equivalent staff, saving £7m per annum.

Graph 1 below illustrates the cumulative effect of all the transformation elements, and the potential for further efficiency savings.

**Graph 1**



2007/08 saw a reduction of 134 frontline posts, with a saving of £4m. In January 2008 a Voluntary Severance Scheme was made available to all MHS management and administrative staff. It is expected that a further 130 posts will no longer be required during 2008/09, the majority of which will be managerial and support.

Headcount projections are shown in Table 3 below:

**Table 3 – Headcount projections**

<b>Actual/Planned Headcount</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
HQ Veterinary & Corporate Services Staff (excl OSU)	147	148	138	133	133	133	133
Regional Management & OSU Total	138.5	138.5	59	45	45	45	45
<b>Total Support Staff</b>	<b>285.5</b>	<b>286.5</b>	<b>197</b>	<b>178</b>	<b>178</b>	<b>178</b>	<b>178</b>
Employed Operational Staff	1,213	1,075	1,063	1,051	1,051	1,013	1,013
Contractor Staff	525	494	466	457	457	440	440
<b>Total Frontline Operational Staff including contractors</b>	<b>1,738</b>	<b>1,569</b>	<b>1,529</b>	<b>1,508</b>	<b>1,508</b>	<b>1,453</b>	<b>1,453</b>
<b>Total Full Time Equivalent Staff</b>	<b>2,024</b>	<b>1,856</b>	<b>1,726</b>	<b>1,686</b>	<b>1,686</b>	<b>1,631</b>	<b>1,631</b>

## Annex 1 – Risk Management

### **Effective risk management is crucial to the success of the MHS.**

During this time of transition we must manage change effectively at the same time, ensuring capacity to deliver our core business.

The MHS approach to risk management:

- embeds a risk management culture throughout the organisation;
- contributes positively to the delivery of business and personal objectives;
- prioritises risk, based on likelihood and impact;
- promotes accountability and risk ownership as an essential part of risk management;
- identifies countermeasures and contingencies as effective management tools;
- ensures the effective management, review and reporting of risks;
- promotes an open and transparent approach to reporting on risk management and;
- ensures that risk owners are competent in managing risks.

We must continue to respond effectively to any outbreak of animal disease and the control measures put in place. Crucially during this time of significant external scrutiny, not achieving MHS financial targets for 2008/09 onwards is a key risk to the future success of the MHS. The MHS has identified these and a number of other key risks and has robust countermeasures and contingency plans in place to reduce the risk, minimise their impact or manage them if they are realised. All corporate risks are managed by the Senior Management Team and are reviewed monthly.

## Annex 2 – MHS Board

In October 2007, the FSA Board agreed proposals to transform the MHS Board and recognise the key responsibility of the MHS Board to guide and oversee the transformation of the MHS. This included re-establishing it as a sub-committee of the FSA with new Terms of Reference. The MHS Board continues to include FSA Board, FSA executive and independent external members but also now includes membership from Defra (Chief Veterinary Officer) and the MHS executive (MHS Chief Executive). These changes recognise both the importance of Defra as a major customer for the MHS and the intimate knowledge of MHS business held by the MHS executive.

The membership of the MHS Board is

Ian Reynolds (Chair)	FSA Board member and FSA Deputy Chair
Tim Bennett	FSA Board member
Maureen Edmondson	FSA Board member
Vacant	FSA Board member
Deryk Mead	Independent External Member
Celia Bennett	Independent External Member
Tim Smith	FSA Chief Executive
Vacant	Chief Veterinary Officer
Steve McGrath	MHS Chief Executive

The MHS Board has approved this business plan and the key performance indicators for the MHS. The MHS Board sets strategic direction and regularly monitors the performance of the MHS in achieving the objectives and targets in this business plan.

## Annex 3 – Glossary of Terms

BDU	Business Development Unit
BM	Business Manager
BSE	Bovine Spongiform Encephalopathy
CCIR	Collection and Communication of Inspection Results
CPLU	Cost Per Livestock Unit
CSD	Corporate Services Directorate
Defra	Department for Environment, Food and Rural Affairs
EU	European Union
FBO	Food Business Operator
FCI	Food Chain Information
FSA	Food Standards Agency
HR	Human Resources
ISO	International Standards Organisation
IT	Information Technology
LV	Lead Veterinarian
MAFF	Ministry of Agriculture, Fisheries & Food
MHS	Meat Hygiene Service
Ops	Operations Directorate
RAG	Red Amber Green
SLA	Service Level Agreement
SRM	Specified Risk Material
THMS	Transformed Meat Hygiene Service
VetTec	Veterinary & Technical Directorate