

REPORT FROM THE CHAIR OF THE MEAT HYGIENE SERVICE (MHS) BOARD**Executive Summary**

1. This report from the MHS Board Chair to the FSA Board sets out the work of the MHS Board between December 2006 and May 2007, and highlights the key future challenges that will be addressed by the MHS Board over the next six month reporting period and beyond. The report forms part of the MHS Board's accountability arrangements.

Key Headlines in the last six months

- Between December 2006 and April 2007 inclusive, MHS staff carried out ante and post mortem inspection and ensured the humane slaughter and hygienic production of 10,513,692 red meat species and 327,475,818 birds. This is in line with forecasts and with previous years.
- The MHS Board commends the achievement of the MHS in meeting five of its six objectives for 2006/2007 and partially meeting one objective.
- The total expenditure of the MHS was £91.3m in 2006/2007 of which £58m income was provided from industry and government customers and £33.3 from the FSA to cover the net cost of MHS operations. The MHS met its financial target to operate within the delegated budget.
- To strengthen the governance of the MHS, the new MHS Audit Committee includes membership from the MHS Board and reports directly to the MHS Board.
- The MHS was successful in its Charter Mark re-assessment surveillance visit.
- The MHS has worked hard to prepare its transformation bid to be considered at the FSA Board's meeting in July.

Board Action Required

2. The FSA Board is asked to:
 - **note** the report by the Chair of the MHS Board. **No action** is required.

MEAT HYGIENE SERVICE

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REPORT FROM THE CHAIR OF THE MEAT HYGIENE SERVICE (MHS) BOARD

Issue

1. This report from the MHS Board Chair to the FSA Board sets out the work of the MHS Board between December 2006 and May 2007, and highlights the key future challenges that will be addressed by the MHS Board over the next six-month reporting period and beyond. The report forms part of the MHS Board's accountability arrangements.

Background

2. The MHS Board's role is to provide strategic direction for the MHS and to hold it to account on behalf of the FSA Board. The Chair of the MHS Board is required to report formally to the FSA Board twice a year. This is the fifth full report.

The members of the MHS Board are:

Chrissie Dunn (Chair)	FSA Board member
Ian Reynolds (Deputy Chair)	FSA Board member and FSA Deputy Chair
Maureen Edmondson	FSA Board member
Deryk Mead	Independent External Member
Celia Bennett	Independent External Member
John Harwood	FSA Chief Executive
Alick Simmons	FSA Veterinary Director

Debby Reynolds, Chief Veterinary Officer, acts as an adviser to the MHS Board. Valerie Howarth's appointment to the MHS Board ended in February 2007.

Governance

MHS Board effectiveness

3. Early in 2007, the MHS Board (including the Chief Veterinary Officer as adviser) and the MHS Executive participated in a Board effectiveness assessment. The key outcomes of the assessment were that the MHS Board is 'performing', and that the role of the adviser is an effective one. However, there was some confusion about the roles and responsibilities of the MHS Board and MHS Executive, and the relationship with the FSA Board. Work is in hand to provide clarification and prevent possible duplication of effort.

Changes to the MHS Audit Committee

4. As a result of the review of FSA and MHS audit committee arrangements, the FSA Board endorsed new Terms of Reference for the MHS Audit Committee. These changed the membership to incorporate members from the MHS Board, as well as at least one independent member, and changed the reporting line of the Committee from the senior executive team to the MHS Board. The Committee continues to advise the MHS Chief Executive as Accounting Officer.
5. The MHS Board welcomes the changes to the MHS Audit Committee. The changes address concerns previously raised by the MHS Board by providing a direct link between the MHS Board and MHS Audit Committee, which will assist the MHS Board in discharging its responsibility for effective governance of the MHS. The members of the MHS Audit Committee are:

Deryk Mead (Chair of Audit Committee)	<i>MHS Board member</i>
Ian Reynolds ¹	<i>MHS Board member</i>
Bill McLaughlin ²	<i>External independent member</i>

The changes were effected in March and Deryk Mead, the new Chair of the Audit Committee, reported on its work to the MHS Board in April.

New MHS Chief Executive

6. In January, Steve McGrath formally took up post as MHS Chief Executive following Chris Lawson's retirement.

Implementing Changes to the Over Thirty Month (OTM) rule

7. The MHS Board continues to be represented by Celia Bennett on the Implementation Review Group (IRG) on the system for BSE Testing of OTM cattle. The MHS Board receives and considers reports from her following each IRG meeting. In particular, Celia has worked hard to ensure that the risk associated from potential processing of pre-August 1996 cattle for human consumption is clearly understood and managed. No major issues have arisen at IRG during the reporting period that require reference to the FSA Board. The change to BSE testing controls has continued extremely well and is now considered normal business.

¹ Due to the small pool of joint FSA and MHS Board members, the FSA Board agreed in February 2007 to allow Ian Reynolds, Deputy Chair of the FSA and MHS Boards, to be a member of the MHS Audit Committee on a temporary basis.

² Bill McLaughlin has been a member of the MHS Audit Committee since December 2002. His appointment has been extended by six-months to 30 June 2007 to provide continuity and appropriate financial experience.

MHS Operational Context

8. Between December 2006 and April 2007 inclusive, 1635 operational MHS staff (as at 31 March 2007) carried out ante and post mortem inspection and ensured the humane slaughter and hygienic production of 10,513,692 red meat species and 327,475,818 birds. Annex A illustrates this information graphically.
9. A total of 235 slaughterhouses / game handling facilities and 352 cutting plants were audited during this period and audit follow up visits were made to 123 cutting plants, which is in line with plan taking into account FBO and MHS operational constraints. Vertebral column removal in over 30 month old cattle was supervised in 52 red meat cutting plants. Formal enforcement action was taken in 290 premises, which is in line with the action taken in the period December 2005 to April 2006.
10. One of the key challenges currently facing the MHS is maintaining the day-to-day delivery of services whilst committing significant resources to the MHS transformation project (MHS transformation is covered in more detail later in this report – see also paras 30 – 33).

MHS Board Meetings

Since December 2006, the MHS Board has met twice – on 21 February and on 25 April. The issues considered by the Board are shown below.

Avian Influenza

11. On 3 February 2007 an outbreak of highly pathogenic H5N1 avian influenza was confirmed on a poultry farm in Holton, Suffolk. The MHS was involved in containing the outbreak and subsequently provided input to Defra's lessons learned review. Ben Bradshaw, Minister of State (Local Environment, Marine and Animal Welfare) has agreed to an independent Defra / FSA study on the role and responsibilities of the MHS in the event of future animal disease outbreaks.

Health and Safety

12. The MHS Board has been informed of developments following the death of an official veterinarian at an abattoir in Herefordshire, which was caused by an escaped animal in February 2006. The Health and Safety Executive has not taken any enforcement action, but has made several comments and recommendations. The MHS has worked with official veterinarian contractors and Unison to examine risk assessment processes for the handling of escaped, distressed or fractious animals, and has developed a risk assessment methodology aimed at managing this risk to staff. The Health and Safety Executive has been kept informed of progress. The MHS Board is assured that the risk to MHS staff, who often work in hazardous environments, is appropriately

controlled.

Breaches in the removal of Specified Risk Material (SRM)

13. During the reporting period there was one SRM breach identified. A consignment of beef was received at a meat cutting plant in Northern Ireland where two OTM forequarters were each found to contain a small piece of spinal cord. The carcasses originated from a slaughterhouse in Great Britain and had tested negative for BSE. The remainder of the consignment was checked and found to be clear of SRM. The affected forequarters were destroyed and did not enter the human food chain. The MHS Board has received an assurance from the MHS that the incident has been fully investigated and appropriate corrective action taken to minimise the risk of a similar breach occurring again. The corrective action included altering procedures at the plant and the MHS submitting a recommendation for prosecution of the FBO, under the TSE regulations, to the FSA. A disciplinary investigation into the actions of the Meat Inspector responsible for inspecting the carcasses had begun, however, the individual left the employment of the MHS prior to the conclusion of the investigation.

Charter Mark

14. The MHS Board welcomed the success achieved by the MHS during their Charter Mark surveillance visit in February 2007. Charter Mark is the UK Government's national standard for excellence in customer service. The score given was the second highest that the assessor had personally awarded. The MHS was also credited with achieving best practice in the following five areas:

- having standards relevant to the people who use our services;
- encouraging staff to make suggestions to improve services;
- having plans to improve value for money and keep costs down;
- identifying and approving a commitment to making a contribution to the wider community; and
- achieving positive results from its involvement with the community.

Assessment of MHS Performance against Corporate Objectives for 2006/2007 (Annex B)

15. Assessment of MHS performance against corporate objectives is by reference to a wide range of performance indicators to give a rounded assessment of MHS activity throughout the financial year. The MHS Board has received and discussed progress reports from the MHS at each of its meetings throughout 2006/2007. Any key reporting issues have been highlighted in the balanced

scorecard and exception reports. The corporate objectives covered all aspects of the MHS's work and organisation – customer requirements; customer satisfaction; embedding legislative changes; staff development; financial management; and efficiency.

16. At its April meeting, the MHS Board concluded that the MHS had met five of its six objectives and partially met one. The MHS Board commends this achievement.
17. The objective partially met was Objective 2: To improve consumer, government and industry knowledge and understanding of our work, and satisfaction with our service delivery. The MHS met the required level of performance for the indicators on Defra customer satisfaction, sustainable development and consumer awareness, but the indicators on FSA and industry customer satisfaction are areas for improvement. Although the overall industry satisfaction score for 2006/07, assessed by the annual industry survey, is slightly lower than for 2005/06, there were other more positive results: 31% of respondents felt that the level of MHS service had improved since the previous year whilst 50% felt it was unchanged. The overall satisfaction score may have been affected by an accepted need for change and uncertainty following the MHS Board proposal that the delivery of official controls be reviewed. The MHS achieved a 15% increase in Defra satisfaction, but did not meet the indicator to increase FSA satisfaction by 5%. However, the MHS is already working to build on and improve its existing service to the FSA.
18. The full assessment of MHS objectives is attached at Annex B.

MHS Financial Position as at end March 2007

	Year to Date Actual £m	Year to Date Budget £m	Variance £m
Staff Costs (incl. Contractors)	80.9	78.9	(2.0)
Non-Pay Costs	10.4	11.7	1.3
Income	(58.0)	(56.4)	1.6
Net Cost of Operations	33.3	34.2	0.9
Capital	0.3	0.3	0.0
Cashflow (outflow)	(33.8)	(35.7)	1.9

19. The total expenditure of the MHS was £91.3m in 2006/2007 of which £58m income was recovered from industry and government customers and £33.3 from the FSA to cover the net cost of MHS operations. The net operating cost of £33.3m was £0.9m favourable compared to budget and the MHS operated within the delegated resource budget for 2006/2007. Major variances included:

- Staff costs were **(£2.0m)** adverse due to a difficulty in achieving cost reductions in OV hours in slaughterhouses that are co-located with cutting plants.
- Non-pay costs were **£1.3m** favourable arising from savings on overhead costs, including travel and subsistence, consultancy, and bad debts.
- Income was **£1.6m** favourable primarily due to additional government income, including increased testing of sheep for TSE.
- a favourable variance of £0.9m, applicable to net pension costs arising from actuarial calculations relating to the Local Government Pension Scheme.

20. The industry debtor days figure as at 31 March 2007 was 38 days. “Debtor days” is a measure of the average time taken to collect debt. This is the lowest level of industry debtor days achieved at a financial year end since the establishment of the MHS in 1995.

MHS Corporate Business Plan and Objectives for 2007/2008 – 2009/2010 (Annex C)

21. The regulatory vision for meat production submitted by the MHS Board to the FSA in the autumn of 2006 has been reflected in the revised FSA Strategic Plan to 2010.

22. The MHS Board considered the draft MHS Corporate Business Plan (including Corporate Objectives) for 2007/2008 – 2009/2010 in February 2007. The Strategic Context in the MHS Business Plan reflects the revised FSA Strategic Plan to 2010. Prior to approving the Plan, the MHS Board asked for changes to be made, which included revising the purpose of the MHS to focus more specifically on the service that the MHS provides in supporting Defra and FSA in achieving their desired outcomes.

23. The MHS Board believes that the corporate objectives for the MHS are fit for purpose and are challenging yet achievable, while reflecting the principle of continuous improvement. They provide a platform from which the MHS can strive to further improve service delivery to government customers and industry in protecting public health and animal health and welfare.

24. The MHS Board welcomes the continuing commitment of the MHS to openness and transparency in reporting performance against objectives, which includes publishing the balanced scorecard and exception reports on the FSA website.

MHS Charges

25. The MHS successfully implemented new FSA charges regulations from 1 January 2007. The MHS billing system was amended on time and the ‘minimum

charge of 45% of throughput' previously levied on Food Business Operators for the delivery of official controls was removed.

26. An increase of 3.8% in MHS chargeout rates for government customers came into operation on 26 March 2007.
27. The FSA introduced new charges regulations increasing throughput charges by 4.8%, which came into force on 26 March 2007. Changes to the MHS billing system were made on schedule. The first month's charges have been billed successfully and on time.
28. Following consultation on proposed changes to hourly chargeout rates, the MHS implemented new rates from 28 May 2007. As part of this work, the MHS Board welcomed the reduction from around 1,000 individual hourly rates to just two (one for Official Veterinarians and one for Meat Hygiene Inspectors), and recognised the contribution that this simplification will make in facilitating improved and more efficient business processes. The changes in hourly chargeout rates will, in practice, have a minimal overall impact on industry, as most Food Business Operators pay charges based on throughput, which is less than actual hourly costs.

2007/2008 Budget

29. The MHS has been delegated a challenging net operating cost budget of £34.9m, a capital expenditure budget of £0.3m and a cash budget of £36.8m for 2007/2008. The delegation does not include forecast savings or set up costs related to implementation of the review of the delivery of official controls in approved meat premises. Representations continue to be made by the MHS to the FSA concerning the full year loss of income (£2.2m) resulting from the changes to EU policy in abolishing the 'minimum charge of 45% of throughput' rule³. Business cases have also been submitted to the FSA for leadership development training and additional IT development. In light of this very challenging budget target, the MHS is identifying cost cutting measures.

Transforming the MHS

30. Following an MHS Board recommendation, the FSA Board commissioned a review of options for the delivery of official controls in approved meat premises, in October 2006. The review aims to ensure that consumer protection is delivered in a targeted, risk-based and proportionate way that provides value for money for all stakeholders. The MHS has submitted a proposition to *transform the MHS* which

³ The impact of the abolition of the 45% rule amounted to a £0.6m reduction in industry income for the last quarter of 2006/07. It is expected that the full year impact in 2007/08 will be a £2.2m reduction. This is purely a price reduction to industry customers, with no associated cost savings, and therefore adds to the net cost of operations. There was no offset from changes to charges regulations applicable from 26 March 2007.

will be considered by the FSA Board in July, alongside other options for the delivery of official controls.

31. The transformed MHS proposition centres on delivering an MHS that will do more for less by creating a more effective organisation that will deliver significant efficiencies. The full proposition, that will be considered by the FSA Board in July, includes detailed plans to:

- reduce costs
- deploy operational staff more efficiently
- establish more effective partnerships with customers and stakeholders
- improve the effectiveness and efficiency of corporate services
- work with the FSA on common corporate service areas
- integrate veterinary management into operational delivery
- develop IT systems to improve business processes and reduce bureaucracy
- reduce operational managerial overheads across the MHS and its contract partners
- incentivise FBOs through implementation of time based charging.

32. The MHS Board has received two comprehensive briefings on the MHS transformation proposition and has received assurance from the MHS Senior Management Team that the proposition can be delivered by the MHS.

33. The MHS Board commend the commitment of the MHS to begin to transform now, wherever practical, and not to wait until the outcome of the review.

Conclusion / Future Work

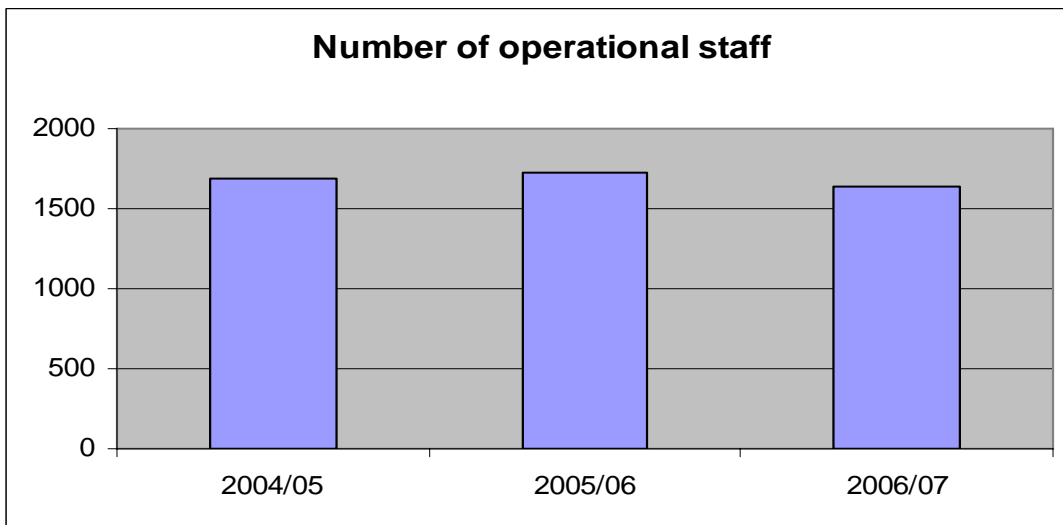
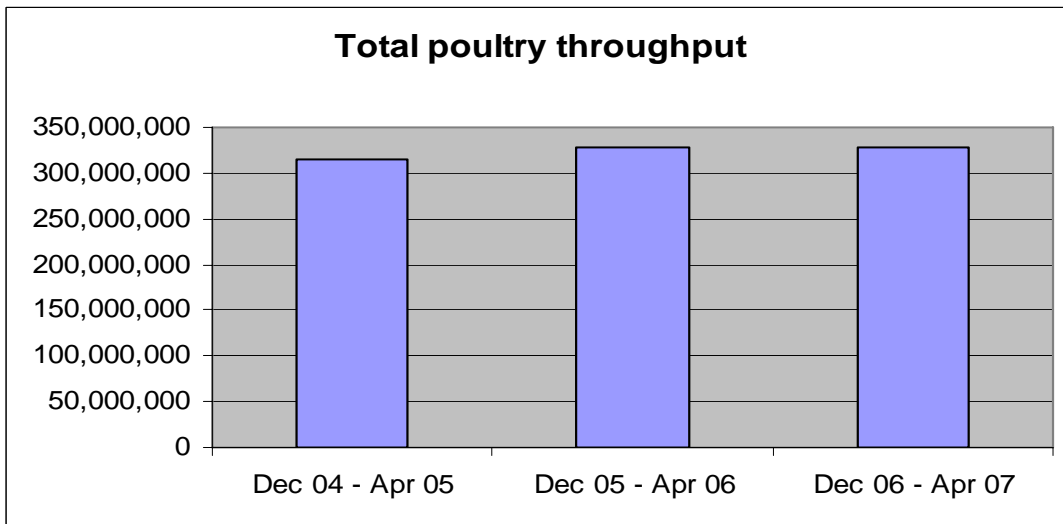
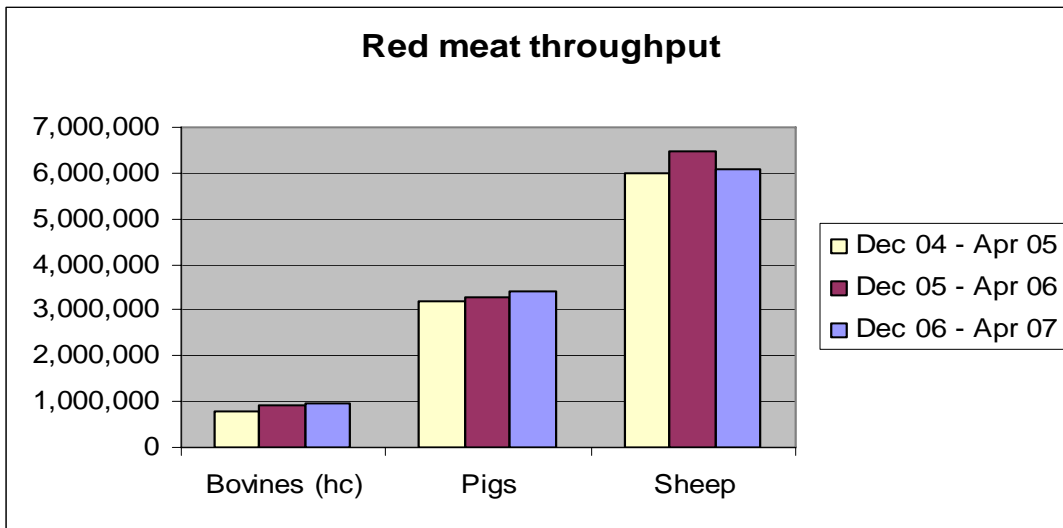
34. This report describes the work of the MHS Board between December 2006 and May 2007. The next six months will be dominated by maintaining business as usual whilst implementing the FSA Board decision in July, whichever delivery option for official controls is selected.

Board Action Required

35. The FSA Board is asked to:

- **note** the report by the Chair of the MHS Board. **No action** is required.

MHS OPERATIONAL CONTEXT



MHS BOARD ASSESSMENT OF MEAT HYGIENE SERVICE (MHS) PERFORMANCE AGAINST CORPORATE OBJECTIVES – 2006/2007

1. 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 protection of public health and animal welfare, 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.
2. The MHS Board met on 25 April 2007 and assessed MHS performance against the corporate objectives set for 2006/2007. It concluded that five of the six objectives had been met, and that objective 2 had been met in part.

Objective 1: To deliver customer requirements, as set out in our Service Level Agreements

3. The MHS met the required level of performance for the indicators on public health, animal health & welfare, and Charter Mark, but not the indicator on BSE controls.
4. In relation to BSE controls, there were four cases where spinal cord in a bovine carcass was identified at a cutting plant (the carcasses did not enter the human food chain), one case where an OTM bovine (aged 10 days over 30 months) was processed in a UTM plant, and one case where an OTM bovine was processed at an OTM plant but was released into the human food chain without being tested for BSE. In all six cases, both FBO and MHS staff failed to identify that there was non-compliance. The risk to public health from these six breaches was miniscule. During 2006/2007 2,234,702 UTM and OTM bovines were processed for human consumption, which equates to a bovine BSE controls compliance rate of 99.9997%. Whilst this is a good performance, the MHS is not complacent and is continuing to strive for zero breaches.
5. As the majority of the indicators for this objective were met and the BSE controls compliance rate was so high, the MHS Board considered that Objective 1 had been met.

Objective 2: To improve consumer, government and industry knowledge and understanding of our work, and satisfaction with our service delivery

6. The MHS met the required level of performance for the indicators on Defra customer satisfaction, sustainable development and consumer awareness. The indicators on FSA and industry customer satisfaction are areas for improvement.

7. Although the overall industry satisfaction score for 2006/2007, assessed by the annual industry survey, is slightly lower than for 2005/2006, 50% of respondents felt that the level of MHS service was unchanged since the previous year; 21% said that it had improved a little; 10% said that it had improved a lot; but 19% felt that it had declined. There is no known reason for the overall satisfaction score. It may have been affected by an accepted need for change and uncertainty following the MHS Board proposal that the delivery of official controls be reviewed.
8. The government customer satisfaction ratings are assessed by means of a participative, independently facilitated focus workshop. The MHS achieved a 15% increase in Defra satisfaction, but did not meet the indicator to increase FSA satisfaction by 5%. However, FSA and MHS met in March 2007 to identify how the Service Level Agreement and clarification of the respective FSA and MHS roles can be improved. During 2007/2008, the MHS intends to review and improve its approach to assessing customer satisfaction.
9. The MHS Board considered that Objective 2 had been partly met.

Objective 3: To embed legislative changes, in particular the EU Food Hygiene Regulations

10. Whilst the MHS only fully met one of its three indicators for this objective, the other two indicators, relating to proposing changes to industry and government chargeout rates, were 'near misses'. These two indicators were impacted by FSA decisions on other changes to charges, necessitating detailed discussion with the FSA, which resulted in delays.
11. All veterinary and technical legislative changes were implemented within the timescale agreed with government customers.
12. Although the indicators on proposing changes to hourly charges by the end of December were missed, because the consultation documents were shared and agreed with the MHS Board and issued before the end of 2006/07, the MHS Board considered that Objective 3 had been met.

Objective 4: To equip all our staff with the necessary skills, knowledge and information to enable them to deliver our services effectively

13. The MHS achieved the targets set for important indicators on leadership development, health & safety management, staff survey, and long term sickness. Whilst the short term sickness target was narrowly missed by 1.3%, performance was 2.4% better than 2005/2006.

14. In relation to diversity, two of the indicators were near misses and two were not achieved. However, for three of the four indicators, representation was higher than last year. A relatively low and stable turnover (7.8%) has limited the MHS opportunity for further increases in representation.

15. The MHS Board considered that Objective 4 had been met.

Objective 5: To operate within delegated resource budget and delegated cash budget for 2006/2007

16. The MHS achieved all three performance indicators for this objective. The MHS Board considered that Objective 5 had been met.

Objective 6: To improve efficiency

17. The MHS met four out of five performance indicators for this objective.

18. The cost per livestock unit indicator outturn exceeded the budget by 1.8%. The cost per livestock unit budget is set by dividing the budgeted gross MHS costs by the total predicted livestock units to be processed by industry. Gross costs include all 'business as usual' work undertaken by the MHS for industry, FSA and Defra, and any planned project work. The cost per livestock unit indicator outturn was affected by higher than budgeted gross costs because of unplanned additional government activity including sheep TSE testing and animal by-products, and lower than anticipated industry throughput. The increase in gross costs was however fully matched by an increase in income. In the early part of the financial year, the OTM for human consumption programme had an adverse effect on the cost per livestock unit indicator, due to the impact of the MHS staffing up to meet the industry estimate of OTM processing which was not realised. Corrective action to reduce the number of contract staff for OTM inspection was taken throughout the year. This saw the cost per livestock unit indicator reduce steadily during the second half of 2006/2007. The cost per livestock unit indicator was also adversely affected by difficult to achieve cost reductions in OV attendance at co-located slaughterhouses/ cutting plants, following the introduction of the new food hygiene regulations in 2006, and the cost of MHS staff redundancies following slaughterhouse closures.

19. As all of the indicators bar one for this objective were met, the MHS Board considered that Objective 6 had been met.

MHS CORPORATE BUSINESS PLAN 2007/2008 – 2009/2010

**CORPORATE BUSINESS PLAN
2007/2008 – 2009/2010**

Contents

	Page No
Chief Executive's Foreword	3
Strategic Context	4
Vision	4
Purpose	4
Corporate Objectives	5
Performance Indicators & Targets	6
The Corporate Balanced Scorecard	7
Risk Management	9
Annex 1: 2006/07 Performance	11
Glossary of Terms	12

Chief Executive's Foreword

I joined the Meat Hygiene Service (MHS) as Chief Executive on 22 January 2007 and I am delighted to present the MHS Corporate Business Plan outlining our immediate priorities for 2007-08, and offering some insight into our longer term goals and objectives.

Whilst I have only been Chief Executive for a short period, I have been impressed by the commitment and professionalism of our staff and contractors. I am looking forward to meeting customer requirements and new challenges.

Our overall financial management remains good – we have kept within our operating budget for 2006/07. However, it is essential that we continue to seek more efficient, effective and sustainable ways of working whilst continuing to protect consumers. Strong partnerships that coordinate effort and make the most efficient use of resources are essential to deliver our cross-cutting objectives.

As well as substantially meeting the objectives for 2006/07, MHS staff also provided valuable support during the first incidence of H5N1 Avian Influenza found in Scotland in April 2006 and during the major outbreak at a turkey farm in Suffolk in February 2007.

Whilst there were a small number of breaches of BSE controls during 2006/07, compliance remains exceptionally high at 99.99%. However, our staff have been reminded of the importance and priority of BSE controls.

2006/07 saw the commencement of the FSA Review of Models for Delivering Official Controls in Approved Meat Premises. The first phase of the project, delivered in February 2007, provided the FSA Board with various options to review and select a number for further analysis in Phase 2. The FSA Board will agree the way forward in July 2007. We will continue to work with the FSA on this Review Programme.

Consumer protection and animal health and welfare will continue to be our key priorities for 2007/08. To improve our performance we will continue to invest in support and training for our staff, notably through the delivery of a Leadership Development Programme.

I am confident that through the hard work of our staff and contractors, 2007/08 will be another successful year for the MHS.

Steve McGrath
Chief Executive
April 2007

Strategic Context

The Food Standards Agency's 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. This vision requires Food Business Operators to take on more responsibility and more tasks. They could earn autonomy with a lighter touch inspection where there is clear evidence of compliance. It also requires businesses to implement effective whistleblowing practices. Strong powers to intervene with non-compliant operators, which could include revoking approval to operate, would be in place to protect consumers. Such a partnership approach would mean the vision of full cost recovery or lower cost regulation can be more realistically attained. It will also mean both Food Business Operators and regulatory staff will require the right skills and powers to do their respective jobs competently. New technology could assist with the cost-effective collection of data on animal health. This could be used to provide feedback to Food Business Operators which could radically improve the way in which animals are reared to produce high quality, safe meat.

During the period of this plan the MHS will develop its services, relationships and systems to work towards this regulatory vision.

Vision

Safe meat produced from well cared for, healthy animals

MHS recognises that its role is part of the wider meat production chain and that to be successful it is important to work with stakeholders throughout the chain.

Purpose

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

The MHS is an Executive Agency of the Food Standards Agency. Through the proportionate enforcement of GB and European legislation in approved fresh meat premises, the MHS is responsible for the protection of public health and animal health and welfare.

We provide verification, audit and meat inspection services in approved slaughterhouses, cutting plants, catering butchers, farmed and wild game facilities and co-located minced meat and meat products premises. The MHS has a statutory duty to provide these services on demand, 24 hours a day, 365 days a year throughout England, Scotland and Wales.

Corporate Objectives

The following Corporate Objectives for 2007/08 support achievement of the MHS Vision. There is no implied order of importance.

- Objective 1:** To deliver customer requirements.
- Objective 2:** To equip all our staff with the necessary skills, knowledge and information to deliver our services effectively.
- Objective 3:** To E-enable all MHS processes working in partnership with our customers where appropriate.
- Objective 4:** To operate within delegated resource budget and delegated cash budget for 2007/08.
- Objective 5:** To improve efficiency

The MHS has a wide variety of customers (including Food Business Operators and Government Departments), and stakeholders (including staff, contractors and consumers), with individual and collective interests in what we do and how well we do it. Communicating effectively with all our customers and stakeholders is essential in building their confidence with MHS service delivery.

Staff are our most valuable resource and it is essential that our workforce, of over 2,000 people, is respected and have the right skills and experience necessary to deliver our services.

The MHS will e-enable its processes through the implementation of further IT systems, for example, improved transaction processing, electronic forms and improving stakeholder access to online MHS services.

To verify achievement of the Corporate Objectives, a number of supporting activities, indicators and targets have been identified, and are organised in a Balanced Scorecard.

Performance Indicators & Targets

The MHS is continuing to use the Balanced Scorecard approach to performance management which was 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 achieve during 2007/08 to ensure we achieve our Objectives.

Each Directorate manages 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.

Customers & Stakeholders Deliver customer requirements	Finance Operate within budget
Vision: Safe meat produced from well cared for, healthy animals	
People Equip staff with skills, knowledge and information	Internal Processes & Efficiency E-enable all MHS processes Improve efficiency

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.

GREEN - performance is on track to achieve or exceed planned target.

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.

RED - will mean that performance is below the desired level of performance and the action plan and resources in place may not be sufficient to return to the desired level, necessitating further intervention.

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 Corporate Balanced Scorecard

CUSTOMERS AND STAKEHOLDERS			
Indicator No	Indicator	Lead Directorate	Target
1	Establish & deliver customer requirements as set out in SLAs and provide assurance on delivery standards. BSE controls Hygiene Animal Health & Welfare, including notifiable disease surveillance	Ops/Vetec	Agree and deliver all SLA requirements with policy customers and in accordance with the priorities framework
2	Implementation of legislative changes	Vetec	Implement in accordance with timetable
3	Meet FBO requests to move from a PIA system to PMI system	Ops	Deliver FBO requirements to agreed timescale.
4	Customer Satisfaction	CSD	Maintain or improve current levels

5	Charter Mark	CSD	Maintain accreditation
6	ISO 9001	CSD	Maintain accreditation

Finance			
Indicator No	Indicator	Lead Directorate	Target
7	Produce 2006/07 Annual Report and Accounts	CSD	Clean audit certificate. Lay report before Parliament before summer recess
8	Operate within budget for the financial year	CSD	Within budget

Internal Processes and Efficiency			
Indicator No	Indicator	Lead Directorate	Target
9	Improve processes relating to management of information flows	Ops	Deliver in accordance with agreed project plan.
10	IS/IT Strategy	CSD	Develop strategy for 2007-2010. Deliver Year 1 of strategy
11	Operational Resource Strategy	Ops	Develop and implement strategy
12	Review of delivery models	Ops	Complete Project A to satisfaction of FSA Board

People			
Indicator No	Indicator	Lead Directorate	Target
13	Deliver HR policy programme	CSD	Deliver programme against agreed timetable
14	Deliver training and development programme	CSD	Deliver programme against agreed timetable
15	Develop & implement H&S Strategy	CSD	Develop and deliver strategy against agreed timetable
16	Set performance standards for OVs and MHIs and monitor effectiveness	Vetec	Deliver programme against agreed timetable
17	Investors In People	CSD	Maintain accreditation
18	Equality & Diversity Strategy	CSD	Develop and deliver Strategy against agreed timetable

Risk Management

Anything that may prevent the MHS from achieving a business objective is considered to be a 'risk'. The MHS accepts that it is not possible to run its business in a risk free environment, and makes contingency plans as necessary.

The MHS risk management process puts efficient processes in place to provide reasonable assurance that business objectives can be achieved reliably. The Senior Management Team considers effective risk management to be an essential factor in the successful management of its business.

The MHS approach to risk management:

- raises risk awareness throughout the MHS, promoting local understanding of risk, and embedding a risk management culture throughout the organisation;
- contributes positively to, and is integrated with, the MHS Business Planning process;
- promotes local ownership of, and action on, risk;
- includes accountability and risk ownership as an essential part of risk management;
- prioritises risk based on the likelihood and impact;
- enables the Senior Management Team to manage effectively the strategic risks to the business.

Risk Registers record risks at four levels, as follows:

- Area and Team level;
- Regional and Unit/Department level;
- Directorate level;
- Senior Management Team level.

Risk Registers are formally reviewed on a regular basis. Exceptions are reported and managed through normal management reporting channels.

Corporate level risks are managed by the Senior Management Team and are reviewed monthly. Such risks may include business continuity issues (for example, industrial action or an animal disease outbreak), health & safety, major projects, finance and IT.

The Audit Committee is responsible for verifying that risk and change in risk is monitored. It also receives assurances about risk management and comments on the appropriateness of the risk management and assurance processes in place.

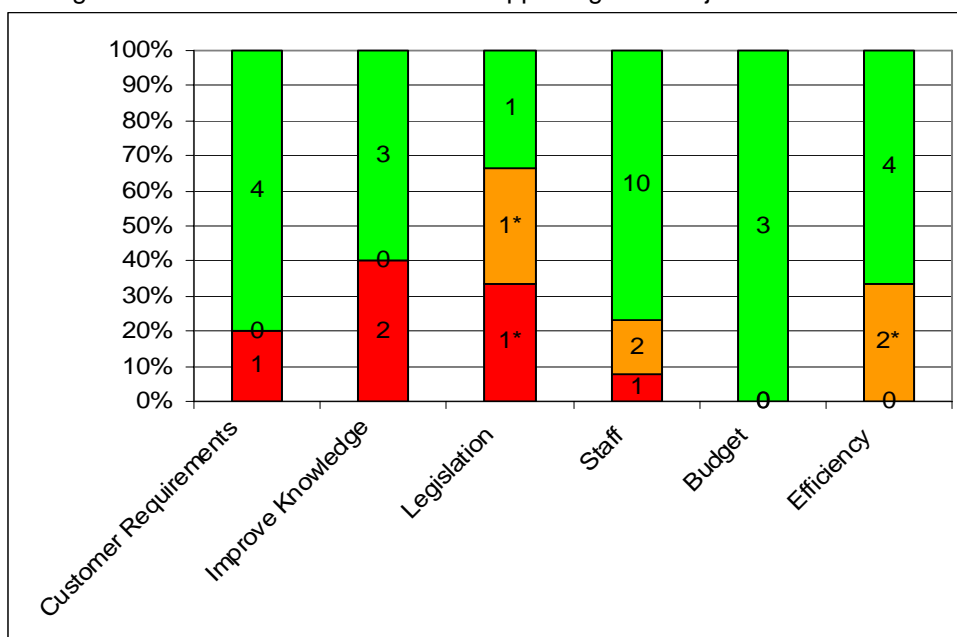
Annex 1: 2006/07 Performance

2006/07 saw the introduction of a new performance management framework. Achievement of corporate objectives is verified through the delivery of a number of supporting activities, indicators and targets, which are organised in a Balanced Scorecard.

The corporate objectives for 2006/07 were:

- Objective 1:** To deliver customer requirements, as set out in our Service Level Agreements.
- Objective 2:** To improve consumer, government and industry knowledge and understanding of our work, and satisfaction with our service delivery.
- Objective 3:** To embed legislative changes, in particular the EU Food Hygiene Regulations.
- Objective 4:** To equip all our staff with the necessary skills, knowledge and information to enable them to deliver our services effectively.
- Objective 5:** To operate within delegated resource budget and delegated cash budget for 2006/07.
- Objective 6:** To improve efficiency.

The following graph illustrates the level of achievement of the corporate objectives (as at February 2007) by showing the RAG status of the indicators supporting each objective:



* Achievement of target affected by factors outside of MHS control

At the time of publication, the MHS believed that it was on track to achieve substantially four Corporate Objectives and two partially. The MHS Board will formally assess MHS performance for 2006/07 at its meeting in April 2007.

Glossary of Terms

BSE	Bovine Spongiform Encephalopathy
CSD	Corporate Services Directorate
Defra	Department for Environment, Food and Rural Affairs
EU	European Union
FBO	Food Business Operator
FSA	Food Standards Agency
MHS	Meat Hygiene Service
MHI	Meat Hygiene Inspector
Ops	Operations Directorate
OV	Official Veterinarian
PIA	Plant Inspection Assistant
PMI	Poultry Meat Inspector
RAG	Red Amber Green
SLA	Service Level Agreement
VetTec	Veterinary & Technical Directorate