

**MINUTES OF THE MEETING OF THE
MHS BOARD
HELD AT FOSS HOUSE, YORK,
THURSDAY 26 MAY 2005**

Attendees

Chair: Chrissie Dunn

MHS Board Members: Maureen Edmondson
Jon Bell
Alick Simmons
Valerie Howarth

Secretariat: Kevin Goddard, MHS
PK Khaira, MHS

Officials Chris Lawson, MHS Mike McEvoy, MHS
Participating: David Hart, FSA Kevin Goddard MHS

Officials Attending: Elspeth McDonald FSA Scotland
Jim Ross FSA Northern Ireland
Kathryn Davies, MHS
David Bramley, MHS

Agenda item 1: Introduction and Apologies

1. The Chair welcomed Board Members and officials to the meeting. The Chair advised Members that apologies had been received from: Richard Ayre, MHS Board Member, and invited observers FSA Wales and Defra. The MHS Board noted that Defra had indicated that Tim Studdert-Kennedy had been nominated by Defra to attend future meetings.
2. The Chair extended a special welcome to observers attending the MHS Board meeting for the first time: Kathryn Davies as new MHS Director of Corporate Services; Jim Ross, FSA Northern Ireland; and David Bramley, due to take over the MHS Board Secretariat in early June.

3. The Chair requested some time be devoted at the end of the meeting to discuss the staff attitude survey information paper under AOB items. No other AOB items were raised.
4. The Chair reminded all Board Members of their obligations to declare any relevant interests before agenda items were discussed. No Board Members declared interests with respect to any agenda items for discussion.

Agenda item 2: Draft minutes of the 15 March 2005 Meeting (Paper (05) 36)

5. The minutes were accepted as an accurate and true record of the MHS Board meeting held on 15 March 2005.

Action: Secretariat

Agenda item 3: Actions Arising (Paper (05) 37)

DNV Report

6. The MHS Chief Executive apologised for the late delivery of this paper. He advised the Board that progress had been made, that there was a draft response to the DNV report was currently with FSA and MHS colleagues for comment. It was due to be sent to MHS Board Members in the week commencing June 6, with publication expected on the website 13 June.

Framework Document

7. One Board Member asked for clarification of an action from the last meeting, the status of the MHS Framework document. The Chair reported that the MHS framework document had now been agreed by both Chief Executives of the MHS and FSA and the Acting Chair of the FSA. This document would now be submitted to Ministers over the next few days.

Agenda item 4: MHS Board Chair's Report

8. The Chair updated the MHS Board on a recent visit to BCMS with the Deputy Chair. This was an opportunity to learn more about the role of BCMS, in light of the recent OTM breaches. The visit included looking at the IT systems BCMS have in place. The Chair explained that a report on the visit would be going to the MHS Board in the near future.

9. The Deputy Chair observed that there appeared to be efficiency gains to be made by working more collaboratively with the BCMS. There was currently a significant level of resource that went into maintaining administrative systems such as finance, but if the same effort were put into system issues in partnership, there is a possibility that the OTM breaches could be detected more easily. The Deputy Chair felt that MHS should join Defra's e-forum, if the MHS was not already a member.
10. One Member observed that the electronic system in Northern Ireland has helped to reduce the risk of OTM breaches and that it might be useful to look more closely at the relevant Department of Agriculture and Rural Development in Northern Ireland (DARDNI) systems.
11. The Chief Executive recognised the work currently going on to increase the flow of information between the two organisations, and agreed to update the MHS Board in future via his Chief Executive's report. He reported that MHS occasionally attend the Defra e-forum.
12. The Chair updated the MHS Board on the progress made with appointing the new Independent Board Members. Individuals had been selected and letters been submitted to devolved Ministers seeking their approval. Once agreement had been received from Ministers, the letters of appointment would be issued. The process was on track for the new Members to be appointed in time for the July Board meeting.
13. The Chair commented on the work that had gone into increasing the visibility of the MHS and the MHS Board on the FSA website. Progress had been slower than hoped, but the content was now much improved and much more easily navigable. The Chair expressed her appreciation of the work carried out by FSA and MHS colleagues.
14. A comment had been made at the FSA Board May meeting about the structure of the MHS. The Chair explained that she intended to cover this at the workshop session in July, which was being proposed to the Board as an option in a paper being taken at today's meeting (PAPER (05) 41).

15. One Board Member commented that it would be very useful to have a clear view of the roles and responsibilities of the Board, so that the MHS Board did not inadvertently overstep their remit into executive areas. It was agreed that while the Board could be consulted by the executive for comments, it was the role of the executive to ensure that they are content that the structure of the MHS will deliver the MHS strategic plan. Another Board Member commented that there was a need to be absolutely clear who was responsible for what and to whom.

Agenda item 5: MHS Chief Executive's Report (Chris Lawson)

16. The Chief Executive formally reported the arrival of Kathryn Davies as the new MHS Director of Corporate Services

17. The planned industrial action that the Board had been informed of at the last meeting had been called off 2 days before the planned date (23 March 2005). As a result, the MHS were able to deliver a service to all of those plants that required it.

18. The MHS Chief Executive updated the MHS Board on the latest OTM breaches, following a note that had been circulated via email earlier in the week. There had been one breach for March, but none for April based on MHS data. Validation of the BCMS data had not yet been carried out by the MHS. There had been no reported breaches for May so far. Action taken to date included a meeting held last week with industry that had been facilitated by Defra. The message from this meeting was to impress upon those attending the need for partnership working and that all those involved had a responsibility. This message was further reinforced by enforcement action being taken by the MHS. Progress has been made by the MHS in trying to be more communicative. The MHS kill record form (MHS 50) had been reworked so that a copy could be sent to BCMS. All other planned actions had been implemented, and the MHS Chief Executive was optimistic that the problem of breaches had essentially been dealt with.

19. The MHS Board noted that there were problems with passports not being returned by farmers when animals die, and that knowing the number of OTM animals in existence helps to provide a better understanding of the risks involved.

20. One Board Member noted that following a recent review of the legal position, it was not possible to publish the names of those plant operators that were currently being investigated for OTM breaches as this could affect the success of any prosecution. The monthly publication system needed to be reviewed in light of this.
21. There had been a recent launch of a full 12 week consultation period on the new manual for official controls which was being carried out in parallel to a FSA consultation on the industry guide. The FSA were also consulting on transitional legislation. High level training of MHS plant staff had begun.
22. Negotiations were currently under way in Brussels on a proposed derogation period of four years on food chain information, as well as a proposal to defer new training requirements for Plant Inspection Assistants. The MHS was also starting work on extending OVS contracts, which would then be subject to a national tender which would also cover issues such as Wall recommendations, OTM Rule change, etc.
23. The summer recess of Parliament commenced earlier than anticipated this year (21 July), which had put further pressure on the timetable for producing this report. The Chief Executive assured the Board the text was well advanced and was expected to be circulated to Board Members in week commencing 6 June.
24. The Chief Executive requested that the staff attitude survey information paper be discussed by MHS Board Members under Any Other Business as indicated by the Chair.
25. A new Treasury Chief Secretary had been appointed and numerous further questions asked of MHS officials about the pay remit. This has caused further delay, though the issue was still being actively pursued.
26. In the 2004/05 period there had been a £2.8 million saving against the delegated resource budget for net operating costs. This saving was before an exceptional £0.9 million pension disclosure, which came at a late stage in the financial year.

27. The net operating cost of £28.9 million was marginally lower than the comparable figure for 2003/04 due to increased efficiencies and improved resource deployment and absorbed inflationary pressures. There had been a reduction of £5.1 million in the Maclean subsidy.
28. The main indicator of efficiency, indexed cost per livestock unit, reduced by 2%, which was 4% in real terms.
29. The National Audit Office had completed their fieldwork and had raised no problems. The MHS audit and risk committee had discussed the accounts and Statement on Internal Control.
30. The MHS Chief Executive had been invited to dinner recently with HRH the Prince of Wales to discuss food production with artisan food producers. Issues pointed out by the MHS Chief Executive were the forthcoming EU Hygiene Regulations in 2006 and that there is currently no sharp decline in numbers of small abattoirs.
31. The Prince was keen to see the FSA-led initiative on specialist cheese making, which brought together Regulators and producers to work collaboratively, extended to other food producers particularly meat.

Agenda item 6: Pensions Issue (Mike McEvoy) PAPER (05) 38

32. The Chair invited Mike McEvoy, Director of Finance to the table to introduce this paper.
33. Mike set out the financial position relating to the Local Government Pensions Scheme (LGPS) (60% of MHS staff belonged to this scheme). At the last valuation at the end of March 2004 a deficit was attributed to the MHS of £26 million, which was a significant increase from £4 million in 2001. This was due to poor stock market performance. Phased repayment of the 26 million over the longest term possible (20 years) has been agreed.
34. Board Members made a number of observations and asked questions about this issue. Mike clarified that there was no way of planning for these events, and went on to explain that this was a situation currently faced across Government. Overall, the MHS was a very small player in comparison to the rest of local government. A Board Member commented that as the MHS is

providing a service and the costs of providing that service had risen, could there be a rise in the charges for the service being given, in an attempt to recoup some of the cost of the deficit.

35. The MHS Chief Executive advised the Board that discussions are still to be held by Managers and actuaries, and that there would be a chance for them to comment on options at a future meeting. The NAO were content with the declaration of the deficit, but there was still a need to reach consensus across all auditors.

Agenda item 7: MHS Corporate Performance Targets 2005/06 PAPER (05)39

36. The Chair invited David Hart to the table to introduce this paper. David apologised for the delay in getting the 2004/05 targets paper to the Board in time for discussion at the May meeting, and explained that this was due to demanding timescales and the need to consult stakeholders. The MHS and FSA were discussing ways in which this process could be more efficient in the future.

37. Board members commented that without the 04/05 targets paper it made the job of looking at the 05/06 targets paper extremely difficult. The Chair reminded Board members that they had agreed to consider the 04/05 targets paper in a MHS Board meeting fitted in around the June FSA Board Meeting.

38. David introduced paper **(05) 39**, explaining that Board Members were being asked to agree to targets and key performance indicators for the period 2005/06. These targets were very similar to those put forward to the March meeting.

39. One Board Member commented that although in March it had been possible to see the targets set out, the inclusion of the MHS Corporate Business Plan for 2005/06 had made an enormous difference in understanding the context in which these targets were being set.

40. One Board Member commented on the need to measure risk if there was to be a zero tolerance policy and total compliance. Others agreed, and a discussion followed around the pass/fail approach to targets. It was observed that a broader approach would be a better way to take other aspects of a target into account, for example public health implications. All agreed that

100% compliance was always the ultimate aim. Board Members agreed they were supportive of a transparent and open approach.

41. Board Members commented on Annex A, requesting that the aims match the MHS risk register as well as the corporate business plan. In particular, the first aim should match the MHS purpose - *'verify and promote compliance...'*

42. There were numerous comments on the targets set out in annex B of the discussion paper:

- **Target 1.1** There should be a commitment from the MHS to a 13 month rolling average
- **Target 1.5** There was an agreement that further discussion was required around this target outside of the meeting. There was a question about whether the MHS was able to influence the outcome
- **Target 1.6** Attach a period of time over which this target is measured to make it as meaningful as possible. This should be over at least a year.
- **Target 1.8** There was a comment that it was a very negative way of conducting business by always looking at the non-compliance issues. While this was extremely important, it was also essential to look at the high level of compliance and success that existed. More positive language should be used in this target. It should also be clear about the source of the audit data here.
- **Target 1.9** Include definitions of the meanings of major, minor and critical. There was concern about the three-month time allowed for rectification of all non-compliances, including major.
- **Target 1.10** Include the reference to the audit information that this target refers to. It was agreed that this target would be deleted until a management information system was in place.

- **Target 1.11** There was a question about whether this target should be a target, if the MHS was unable to influence. This target should be recast in terms of 'efficiency of detection'.
- **Target 1.22** Amend the first line of the target to read '*...testing for BSE as per instructions.*' The second sentence should indicate the change in arrangements after OTM Rule change is implemented.
- **Target 3.2** This should still be a KPI as the staff survey can be influenced.
- **Target 3.3** This should remain a target as there are a number of accepted actions that can be taken by the MHS to improve attendance.
- **Target 3.5** This target should remain as a priority as most organisations have these as standard.
- **Target 3.6** There was agreement that this target should remain in this section.
- **Target 4.2** Clarification is required on this target, as a way of measuring success needs to be incorporated.
- **Target 4.5** This target needs to be clear about what it is being measured against.
- **Targets 5.1** This should be set as a percentage
- **Targets 5.2** Include a timescale for completion of IT in plants project.
- **Targets 5.5** This target should incorporate successful appeals.

43. One Member asked why the FSA set targets on behalf of the MHS and whether it was time to revisit this arrangement to allow the MHS to take ownership of this task, now that there was a governing board in place. The Chief Executives of both organisations agreed to discuss the issue.

44. It was agreed that it was important that the targets be amended promptly, and agreed by MHS Board Members intersessionally.

Action: David Hart (Chris Lawson, Jon Bell)

Agenda item 8: MHS Corporate Business Plan 2005/06

(Paper (05) 27)

45. The MHS Chief Executive introduced this paper. He, explained that in previous years, a lot of detail had been included, but it was found that actually this hindered the clarity and the aims of the business plan. The MHS had overstretched itself in attempting to deliver on too many competing priorities, which led to failure to complete projects undertaken in a timely fashion. This paper aimed to be a concise, high-level plan for MHS staff, which focused on a small number of critical priorities and corporate objectives.
46. It was important for the Board to note that while lower level detail was not included in this plan, this higher level plan was to be underpinned by detailed implementation plans at directorate levels, as well as the key performance targets and corporate performance targets for 2005/06 set by the MHS Board.
47. Board members concluded that it was a clear and concise document, but suggested that the Foreword be drafted more positively and asked for one other minor amendment. The plan will be issued in both poster and leaflet format for ease of reference.

Action: Chris Lawson

Agenda Item 9: Future MHS Board Meetings

48. **Kevin Goddard** was invited to introduce this paper, which sets out proposals for a workshop style event in July 2005, a stakeholder meeting in September 2005 and dates and locations for meetings throughout 2006. Kevin explained that these dates had been linked to the key business stages in the MHS business cycle for the year.
49. The Board agreed that there were some excellent ideas in the paper for ways of working, and were supportive of the proposals. The Board agreed that the content of the workshop and stakeholder meeting format and contents should be developed and further options put to the Board.
50. There was a debate about the type of issues that could be dealt with at the stakeholder meeting. Some issues could end up dominating the entire debate

which may hinder progress to be made and limit the access that other stakeholders have with Board Members.

51. It was noted that as the July Board workshop session was the first scheduled meeting for the new independent Board Members, it might be a difficult first meeting. Although the timing was unfortunate, the Board agreed that they would endeavour to attend dinner the evening beforehand as an informal chance to meet the new Board Members and get to know them.
52. One Board Member suggested that the content of the stakeholder meeting might well be informed by issues that come out of the workshop sessions.
53. There was agreement to look at moving the November meeting to December, but this may be dependent on the need for consultation on the targets for 2006/07

Agenda item 10: Any Other Business

Staff Survey Information Paper

54. One item was raised under AOB; the Chair wanted Board Members to have the opportunity to comment on the MHS staff attitude survey 2004 information paper.
55. The Chief Executive introduced the information paper and gave the Board a basic analysis of the survey results. He explained that while the results were disappointing, they were expected considering a number of issues that were as yet unresolved such as the pay and grading review and pay award.
56. Those areas where action was being taken were being set out in an MHS news article, that was due to be published shortly. Further management meetings with UNISON were being planned to take issues forward as efficiently as possible. An important approach was building improvements into normal activity rather than having a separate 'action plan', as there was widespread feeling that this would not resolve the issue.
57. A key issue was communication. This needed to be addressed so that staff felt more ownership of the work they carried out and the changes that

occurred within the organisation. This would lead to increased ownership. Communication was a key objective in the Corporate Business Plan 2005/06. One Board Member commented that a high percentage of staff appeared to want change within the organisation and noted with concern that many staff who had completed the survey did not feel that they were properly recognised for their efforts. Others commented that there needed to be a shift in the culture of the MHS. It is also important to learn from what works, for example from those that do enjoy their jobs, why these individuals like their work and how this information can be used. There was a question about the views of MHS office-based staff compared to MHS operational staff, and whether there was a comparable split in opinion in DARD.

Update

58. The Chief Executive and MHS Board both thanked PK Khaira for coming to the MHS on secondment to help set up the MHS secretariat.

59. No other items were raised under AOB.

Agenda item 11: Date of next meeting

60. The next MHS Board Meeting will be held 9 June 2005, Aviation House, London

MHS Board Secretariat
May 2005