

PROPOSED CHANGES TO THE MHS BOARD

Issue

1. This paper seeks FSA Board agreement to proposed changes to the MHS Board to enhance the MHS Board's ability to provide efficient and effective governance of the MHS.

Background

2. In October 2007, the FSA Board agreed to transform the MHS Board and its Terms of Reference (ToRs). These changes recognised the new responsibility of the MHS Board to guide and drive through the approved Transformed MHS plan, to develop and implement further streamlining in 2008/9 onwards and also constituted the new MHS Board as a formal sub-committee of the FSA Board.

External Non-Executive Directors (NEDs)

3. The current MHS Board ToRs state that "*up to 2 external Non-Executive Directors*" should be members of the MHS Board. These appointments are currently held by Deryk Mead and Celia Bennett, whose terms end in July 2008. Originally, the MHS Board was comprised of FSA Board members and FSA officials, and the external NEDs provided an independent presence on the MHS Board to balance FSA interests. However, changes agreed by the FSA Board in October 2007, including appointing the MHS Chief Executive and UK Chief Veterinary Officer as full MHS Board members, mean that it is no longer necessary for external NEDs to provide this balance. Therefore, in the short-term, it is proposed not to replace the two external NEDs when their appointments end in July 2008. The reference for '*up to 2 Non-Executive Directors*' in the MHS Board ToRs will remain to allow flexibility should, for example, the MHS Board consider that specific expertise is needed by the MHS Board which is not available from the FSA Board or executive Board members. The requirement for external NEDs will be kept under review and considered as part of the annual review of ToRs by the MHS Board.

Increasing the number of FSA Board members on the MHS Board

4. The current MHS Board ToRs specify that 4 FSA Board members are members of the MHS Board. It is proposed that this is increased to 5 FSA Board members to allow the MHS Board to benefit from access to a wider range of skills and experience on the FSA Board and to ensure that non-executives remain in a majority on the MHS Board.

Board Action Required

5. The FSA Board is asked to **agree**:

- to amend para 3 of the MHS Board ToRs (attached at Annex) to raise the number of FSA Board members on the MHS Board from 4 to 5.
- not to replace the two external NEDs when their appointments end in July 2008.

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Annex

Amended MHS Board Terms of Reference

Amended Meat Hygiene Service Board Terms of Reference

1. The role of the MHS Board

1.1 The MHS Board is collectively responsible to the FSA Board for:

- ensuring that the MHS fulfils its purpose to protect public health and animal health and welfare.
- delivering the strategic MHS aims and policies agreed by the FSA Board.
- ensuring good governance of the MHS through effective controls that enable risk to be identified, assessed and managed.
- approving the MHS budget and business plans and ensuring that the necessary financial and human resources are in place for the MHS to meet its objectives.
- reviewing performance and holding the management to account.
- setting the MHS's values and standards and ensuring that its obligations to industry and consumers are understood and met.
- reporting to the FSA board as necessary and not less than twice a year in the form of a formal written report.
- setting annual objectives and performance targets for the MHS (the FSA Board is responsible for setting transformation targets).

2. Responsibilities of the MHS Board

2.1 Nominations

- Recommending to the FSA Board changes to the structure, size and composition of the MHS Board;
- Ensuring adequate succession planning for the Board and senior management;
- Consideration of the independence of non-executive members;
- Appointments to sub-committees of the MHS Board.

2.2 Remuneration

- The MHS Chief Executive's annual pay award, including any performance related element, will be decided by the FSA's pay committee for senior civil servants following consideration by the MHS Board.

2.3 Business strategy

- Approval of the MHS corporate business plan and key performance indicators for the protection of public health and animal health and welfare in consultation with MHS customers and stakeholders
- Approval of the annual budget bid and any material changes to them;

- Monitoring and supervision of the performance of management in achieving agreed objectives and targets, including performance against strategic plans and budgets.
- Major changes to the MHS's corporate structure and control structure.

2.4 Financial Reporting and controls

- Final approval of the annual report and accounts, with the assistance of the MHS Audit Committee;

2.5 Governance

- Approval of terms of reference of Board Committees;
- Approval of matters referred to the Board by Board Committees;
- Delegation of Board's powers and authorities, including the division of responsibilities between the Chair and the Chief Executive which should be in writing;
- Review of the MHS's overall corporate governance arrangements;

2.6 Policies

- Approval of corporate health and safety policy, risks and procedures (to be reviewed annually).

2.7 Other

- Reviewing these ToRs annually and recommending changes to the FSA Board.

3. Membership

- Membership comprises:
 - 5 FSA Board Non-Executive members, one of whom will be appointed as the Chair
 - Up to 2 External Non-Executive Directors
 - Chief Executive of the MHS
 - The MHS Chief Financial Officer
 - Chief Executive of the FSA
 - Chief Veterinary Officer for Defra and the UK

4. Operating Procedures

4.1 Attendance

- The quorum for Board meetings will be the Chair or Deputy Chair plus five other members. At least 3 of these other members must be Non-Executive Directors. This will ensure a Non-Executive Directors majority in any votes. The Chair will have the casting vote.
- The Board Secretariat will be in attendance to support all meetings.

- The FSA Veterinary Director and the Directors of FSA Scotland, Wales and Northern Ireland will be invited to attend MHS Board meetings
- Other staff from the MHS or FSA may be called to attend meetings on an ad hoc basis.
- Where Board members are not able to attend a meeting, they should send their apologies in advance to the Secretariat. Members should not be absent from more than two consecutive meetings without the prior agreement of the Chair.

4.2 Conduct

- Board members have a responsibility to take decisions both corporately and objectively, acting in the public interest in keeping with the Seven Principles of Public Life.

4.3 Business

- The Board Secretary maintains a Business Diary which details standing agenda items for the year.
- Meetings will normally take place four times a year in York. Additionally Board meetings can be convened by the Chair with the agreement of the MHS Chief Executive. Where possible, additional Board Meetings will use videoconference or teleconference facilities to minimise extra costs and Board member time.
- Papers for consideration by the Board will normally be issued five working days prior to a meeting.
- If, exceptionally, urgent decisions are required between Board meetings, issues may be dealt with intersessionally by correspondence.
- The business conducted at the Board meeting, together with decisions reached and actions required, are recorded in minutes prepared by the Board Secretary. Minutes and the associated Board papers are published on the MHS Board section of the FSA website.

4.4 Performance Evaluation

- The Board undertakes an annual evaluation of its performance. Every two years it formally considers its remit, constitution and operating procedures.
- The Chair will annually review the overall performance of Board Members.
- The Chair may meet as necessary with the other non-executive members to review the performance of the executive.
- The performance of the Chair of the MHS Board will be reviewed annually by the Chair of the FSA Board.