

# Operational Transformation Programme and Future Scope

FSA 22-12-06 - This paper provides an update on the FSA's Operational Transformation Programme (OTP), focusing on programme progress and deliverables 2022/23, stakeholder research into the implications of new legislation and regulatory divergence in the delivery of Official Controls for meat and animal by-products, and future organisational structure and scope of the programme.

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## 1. Introduction

1.1 This paper provides an update on the FSA's Operational Transformation Programme (OTP), focusing on:

- Programme progress and deliverables 2022/23.
- Stakeholder research into the implications of new legislation and regulatory divergence in the delivery of Official Controls for meat and animal by-products.
- Future organisational structure and scope of the programme.

## 2. Executive Summary

2.1 Part A of this paper outlines the original aspirations of the Operational Transformation Programme and an overview of some of the key achievements of the programme to date.

2.2 Part B summarises the findings of recent stakeholder engagement on the implications of pursuing legislation changes and a new model of regulation that would result in regulatory divergence, including headline views on benefits, risks and dependencies.

2.3 Part C of the paper outlines the organisational structure that will allow more immediate progression of modernisation and continuous improvement activity within the existing regulatory framework whilst aligning future transformation work with our Achieving Business Compliance programme (ABC).

2.4 Part D of the paper presents a range of options for taking forward modernisation work as well as wider, longer term transformation work, and makes a recommendation as to the proposed way forward.

2.5 The FSA Board is asked to:

- Note the original aims of the Operational Transformation Programme and progress made against the agreed workplan for 2022/23.

- Note the outcomes of the Regulatory Divergence Discovery project into the implications of introducing regulatory reform domestically through new legislation.
- Agree the recommendation in Part D (option 2), to slow further work on legislative change for delivery of Official Controls (and resulting regulatory divergence) to ensure that it is progressed in a considered way alongside other wider policy and legislative changes, and to note that this activity will be combined into one transformation programme (Achieving Business Compliance) whilst refocusing our efforts in Operations on modernisation within the existing legislation.

## **Part A: Update on OTP activity and deliverables**

### **3. Introduction to part A**

3.1 Over the last two decades the FSA has striven to keep consumers safe, improved UK consumer trust in food safety, supported export-led growth and operated a successful model in the delivery of Official Controls in the meat, dairy and wine sectors.

3.2 However, there are several factors that are increasing pressure on our current delivery model, including:

- Technology is changing the speed and methods of food production.
- There has been a significant increase in the availability and use of data across industry and other stakeholders in recent years.
- COVID-19 has highlighted the resource-intensive nature of the current model, as well as offering opportunities to work differently.
- The current delivery model does not strongly incentivise compliance, as the regulatory experience of compliant vs non-compliant Food Business Operators (FBOs) is not significantly different.
- EU exit has had a significant impact on the resources required to provide trading partners with the necessary assurances about our food control system (including through increased import and export controls).
- EU Exit has also affected the labour market, particularly the recruitment of veterinary resources from EU member states which has led to increased pressure on the availability of resource needed to carry out Official Controls and ensure the maintenance of high levels of food safety and animal health and welfare.

3.3 The Operational Transformation Programme was established in 2020 to modernise the delivery of Official Controls in the meat, dairy and wine sectors. The aspirations of the programme are based on maintaining or improving levels of food safety and consumer trust and increasing standards across industry through a smarter and more proportionate approach to regulation. This involves a more risk-based approach to delivery, underpinned by evidence, data and technology.

3.4 The Future Delivery Model (FDM) looks at more collaborative working with industry whilst being much clearer on accountability. This ambition supports business growth and trade, both domestic and international. Some aspects of the FDM can be implemented regardless of the need for legislative change or whether products are destined for the domestic market or for export. Other aspects would require legislative change and may therefore take longer to complete and may only be applicable to the domestic market.

3.5 The work of the programme is grouped under seven key delivery elements which are listed in Annex 1 together with a breakdown of work completed or in progress against each. Annex 1 also summarises the deliverables that can be progressed in the short term and which changes may be subject to a longer delivery timescale due to the challenges of legislative change and divergence

as outlined in Part B of this paper.

## 4. OTP Deliverables completed or In Progress

### 4.1 Digital Deliverables

Over the past year, OTP has delivered digital projects that have implemented or piloted technology leading to improvements in how information and data is handled and shared, ensuring more efficient and flexible business processes and improved user experience. These include:

- **Digitised meat approvals system** – this project delivered an on-line application process and account portal that enables food businesses to submit and track applications for approval and the associated evidence to be shared digitally. This has replaced the existing clerical process with an easier, faster, safer, more secure and accurate application process for both food businesses and FSA staff alike.
- **Wine Registration Service** – final user acceptance testing is currently underway for an on-line registration service for new wine producers. As with the meat approval system, this will replace the current clerical registration process and is expected to go live mid-November 2022.
- **Remote Audit Technology** – this initiative introduced remote assessment capability for veterinary auditors to undertake remote audits (where it is not possible or practical to visit a plant). This technology resulted in an enhanced ability to gather evidence to support decision-making through the introduction of video, still photography, document capture and audio recording. In addition to improving evidence gathering and decision-making capabilities, the introduction of this technology has allowed increased flexibility in how FSA auditors engage with plants, provides opportunities to support inward/outward trade missions as well as generating savings associated with reduced travelling where audits can be conducted remotely (travel time, mileage and associated reduced carbon footprint).
- **Food Chain Information & Collection and Communication of Inspection Results systems (FCI/CCIR)** - this project is considering a range of options to introduce enhanced digital capability to improve front-line data recording which will reduce errors and duplication of data input for reporting purposes. This will address the current inefficient systems and outdated tools being used in meat producing plants to record critical information relating to food chain and carcass condition information. This will lead to increased accuracy of FSA data, more robust decision-making and increased confidence in operational decisions which will contribute to improvements in overall food safety and whole supply chain traceability.
- **Segmentation Model** - this tool will generate a risk score that can be used to drive a proportionate assessment of audit frequency and intervention type to ensure that compliance and food safety standards are being maintained. A prototype of the model was developed within the existing legislative framework and was piloted earlier in 2022. Using the intelligence gathered during this pilot, the model is now being iterated to refine the compliance data being used to assess risk and to adapt the approach to implementation. The longer-term use of the model to determine day-to-day in-plant resourcing levels will only become possible with legislative change.

### 4.2 Non-Digital Deliverables

OTP has also led on the progression of important non-digital workstreams including:

- **Implications of Regulatory Divergence** – the discovery work and stakeholder engagement undertaken is covered in Part B of this paper.
- **Official Veterinarian (OV) Resourcing project** – this project undertook an options analysis of how the FSA could mitigate risks around recruitment and retention of OVs through a revised operating model. The FSA currently has a contract with a single delivery

partner for the provision of nearly all OV services across England and Wales with the contract falling for renewal in March 2024. The future strategic ambition for OV resourcing within the FSA is to develop a sustainable, high-quality, resilient and flexible workforce.

This work is now being managed outside OTP with the latest status outlined in the Chief Executive's report and the paper on prioritisation at this Board meeting.

- **Clearer Accountability** - this project is currently undertaking a critical review of the full range of meat inspection tasks and will use the outcomes to identify opportunities for how these tasks can be more effectively and efficiently undertaken in the future by both FSA (employed and contractor) and FBO staff. This work will look at both what can be done within existing regulations as well as what could be possible with wider future reform.

#### 4.3 OTP Deliverables - Next Steps

OTP maintains a pipeline of digital and non-digital initiatives that may be progressed as potential future deliverables, either as capacity allows or as wider enabling work is progressed/completed (legislation change for example). This pipeline will evolve as more deliverables are identified and will also be informed by the scope and structural changes outlined in Part C of this paper.

Examples of current items include:

- **Field Inspections and Vet Audit Digital Capability:** This work started in Q3 22/23 and will involve a pilot to test technology that will provide digital capability for improved evidence gathering and report production for operational audit and unannounced inspection activity.
- **Artificial Intelligence CCTV for Animal Welfare:** This will look at the possibility of piloting the use of artificial intelligence linked to CCTV to more effectively and efficiently identify potential breaches in meeting animal welfare requirements. This requires collaborative working with industry and technology partners to assess the effectiveness of the technology and the extent to which information can be shared with FSA to assess risk and maintain/improve compliance levels.
- **Digital Resource Allocation capability:** Following implementation of the FSA's new Finance and HR platform in 23/24, this initiative will investigate options to more effectively manage the daily allocation of FSA and contract resources within meat plants. This will reduce the administrative burden on managers and ensure a more effective and flexible approach to meeting the resourcing needs of food businesses.

## Part B Implications of Regulatory Divergence for Meat and Animal By-Products

### 5. Introduction to Part B

5.1 The Future Delivery Model, which outlined the ambition for a modernised risk-based and proportionate approach to the delivery of Official Controls in England and Wales, received broad support as a concept through a public consultation in Summer 2021 and was endorsed by the FSA Board at the public meeting in September 2021. The paper from that meeting can be seen here: ([Public consultation on the future delivery model September 2021](#)).

5.2 Some of the ambitions for the Future Delivery Model can only be fully achieved through changes to primary legislation. Following EU exit the FSA thought that there might be an opportunity to introduce new legislation to support transformation ambitions including how regulatory activities are delivered, how business compliance and food safety risks are assessed and which actors in the system carry out which activities.

5.3 Any legislative changes that we introduce to the delivery of Official Controls for the domestic market will have implications on domestic and export markets, including for Northern Ireland under the current protocol. As international trade requirements are primarily based on the EU

regulatory framework, we need to understand the impact on trade and potential for active regulatory divergence when considering any changes to the existing regulatory framework.

5.4 The OTP project has therefore explored with stakeholders the appetite for pursuing regulatory reform in the meat sector in England and Wales, enabled by new legislation, to understand the consequence of the future divergence with the EU and between the four countries of the UK that would result.

5.5 This work involved extensive engagement in Summer 2022 across a wide range of stakeholder groups to seek their views on the relative benefits and disbenefits of regulatory reform and subsequent divergence. This has enabled us to develop a comprehensive understanding of potential strengths, weaknesses, opportunities and threats as well as any conditions that need to be in place as a pre-requisite to facilitate large scale reform. Stakeholders included consumers, industry and other government departments (including representatives from the devolved administrations in Wales and Northern Ireland). As an integral part of OTP governance, the FSA also continues to engage with Food Standards Scotland (FSS).

5.6 The stakeholder engagement sessions considered a wide range of implications of regulatory divergence including consumer protection, food safety, domestic and export trade (meat and animal by-products) and animal health and welfare.

## **6. Background**

6.1 The FSA is responsible for the delivery of Official Controls for meat production in FSA approved premises in England and Wales. The function is carried out by FSS in Scotland and the Department for Agriculture, Environment and Rural Affairs (DAERA) on behalf of the FSA in Northern Ireland.

6.2 Official Controls delivered by FSA for meat production are defined in Retained EU Official Controls Regulation 2017/625 and, in England and Wales is delivered by teams of employed and contract Official Veterinarians (OV) and Official Auxiliaries (OA) (also known as Meat Hygiene Inspectors (MHIs)) in approximately 274 abattoirs, 1069 stand-alone cutting plants and 178 co-located cutting plants. Typically, abattoir inspection teams carry out ante-mortem inspection which assures animal welfare standards and disease surveillance, and post-mortem inspection to ensure meat production is hygienic, safe and fit for human consumption. Slaughterhouse hygiene verification checks ensure meat is free from contamination and sampling activities are undertaken as part the national residue surveillance schemes.

6.3 The vast majority of meat producers are involved in exporting, either directly or indirectly (via onward sales of part carcasses and animal-by-products). Animal by-products that are sold domestically may end up as ingredients in products that are exported further down the supply chain and therefore international trade partners require evidence (via certification) that all meat products/ ingredients have been processed in accordance with the hygiene, safety and animal welfare standards outlined in EU regulations or under bilateral trade arrangements, across the whole supply chain.

6.4 All FBOs are subjected to the same regime, meaning that they are eligible (and listed) to export all or part of their products, co-products and animal by-products. This allows FBOs to optimise profitability and reduce waste as they identify alternative markets for products not typically in demand in the UK (also known as carcase balance).

6.5 Following the UK's departure from the EU, FSA wanted to create new operating frameworks and alternative methods for the delivery of Official Controls. Doing so would be consistent with the principles of the Future Delivery Model to better address food safety risks through increased

use of technology and through proportionate and targeted engagement and deployment of resources. This would reduce the burden on compliant businesses whilst concentrating effort on those businesses who need support or who do not follow the rules.

6.6 Any business wanting to export to the EU (currently including placing product on the NI Market) and/or Rest of the World (RoW) need to continue to meet EU requirements, and therefore any new controls introduced through legislative change in the UK following EU exit would, initially, only be available for domestic production. This will result in a regulatory regime where producers would need to make a business decision on whether to adhere to EU regulations for all production (domestic and export), run separate systems for domestic and export production within a plant or across multiple plants, or adhere to a reformed domestic regulatory framework for domestic production only and not be able to export.

6.7 Industry bodies have indicated that around one fifth of premises serve the domestic market and do not directly export. However, they also indicate that the number of these domestic producers that would be interested in adopting a domestic regulatory regime with more flexibility than the retained EU model would be considerably lower than this. This is because they are likely to be involved in indirect exports associated with trading in animal by-products which may be subsequently processed and exported further down the supply chain.

## 7. Stakeholders Involved in Regulatory Divergence Discovery

7.1 In considering the implications of regulatory divergence, a broad range of stakeholders were identified whose input was considered important in determining the benefits/disbenefits and implications of pursuing legislative change that would introduce a more risk-based model with industry taking on more inspection activity and the FSA having more control over allocation of its resources. **(See Annex 1)**

7.2 The key findings from the engagement sessions can be broken down into anticipated benefits, anticipated disbenefits and associated risks and dependencies.

### Anticipated Benefits

7.3 The FSA could achieve **a more modernised system of delivery of Official Controls** through improved **use of technology/data, streamlined processes** and more **proportionate and focused resource deployment** that could potentially improve levels of food safety and animal welfare (some changes can be achieved in the existing legislative framework with others requiring legislation changes).

7.4 A more proportionate inspection and assurance approach to compliant businesses could be achieved, including exploring the possibility of lighter touch and more proportionate engagement through earned recognition or the use of compliance data from **third party assurance schemes**. This could deliver reduced costs of regulation (primarily important for smaller/local businesses) and potentially lower costs and more local choice for consumers. Stakeholders were keen to encourage the FSA to explore the potential to allow practices for domestic production that are currently not permitted under EU regulations (skin-on sheep and goats for example).

7.5 **Consumer confidence** could increase if it were felt that standards for “domestic only” products would be equal to or better than products destined for export. If domestic-only production were available, there would be an opportunity to **promote sustainability** through more local production and consumption, thereby reducing food miles. Several stakeholder groups including consumers, industry and other parts of government considered that this could lead to **improvements in animal welfare standards** if more animals are traded and processed

locally, reducing travel distances and perceived associated welfare issues arising from transporting animals over long distances.

**7.6 Improved traceability** within plants could lead to improvements in overall standards relating to by-product controls, animal welfare, data collection and disease control measures. This could enhance the perceived standards for domestic production.

### **Disbenefits**

**7.7** Multiple regulatory regimes could increase confusion for consumers and impact on their ability to make informed decisions about what they are buying, which in turn could damage their level of trust and confidence in British meat standards.

**7.8** Benefits will likely be applicable to a small number of highly compliant plants that have no desire to export any of their products. The exact number is unknown, but industry bodies have indicated that based on insight from their members, approximately one fifth of plants serve the domestic market and may qualify in theory, however of those, uptake could be minimal due to the potential onward indirect export of animal by-products further down the supply chain.

**7.9** Regulatory divergence between the current EU-derived system and a domestic system for GB would create a “two-tier system” meaning that UK businesses would not be competing on a level playing field on the domestic market. This could put businesses in Scotland and Northern Ireland at a competitive disadvantage. UK domestic producers may also have a cost advantage over UK exporters and imported goods.

**7.10** Regulatory divergence could be perceived as a lowering of standards by trading partners and consumers. Although the principles of the OTP are to maintain or improve standards, negotiating these changes with trading partners takes time and they may decide to withdraw from/reduce existing trade agreements. At the very least it would likely encourage a surge of inward missions/audit activity as trading partners seek additional assurance in our regulatory systems, placing significant burden on both industry and government resources.

### **Associated Dependencies**

**7.11 Trade negotiations:** in order to avoid separate systems for domestic and export production, it would be necessary to seek agreements with trading partners that a reformed regulatory framework in Great Britain would ensure the same or better standards than those required for export. The FSA could not achieve this alone and would require collaboration with other departments, such as DEFRA. We anticipate engagement with trade partners would be complex, time consuming and would require detailed evidence that all the standards required by them in relation to food safety and animal health and welfare could be delivered.

**7.12 Traceability:** without the agreement of trading partners referenced above, there would be a need to greatly improve product traceability to demonstrate that a robust system of product segregation is in place between produce for the domestic market and that destined for export.

**7.13** If we were to introduce separate domestic and export control frameworks at point of production, then traceability will need to cover more stages in the food supply chain. Export Health Certificates (EHCs) are currently signed by veterinarians knowing that all ingredients are produced under the same regulations. If a separate domestic regime was introduced, then there would no longer be the same confidence in the source and production regime for all ingredients without improved traceability. Stakeholders indicated that they felt considerable investment from both government and industry would be required to provide a robust end to end traceability system. Industry has advised that it is already working on restricted margins (especially the small, rural abattoirs) and any additional cost to meet new traceability requirements could potentially lead to closures.

7.14 Whilst FSA is responsible for parts of the end-to-end traceability process (Food Chain Information and Collection and Communication of Inspection Results – FCI/CCIR), responsibility for traceability spans multiple governmental departments and would require a systems approach and solution to provide trading partners with the assurance required. Aligning priorities to progress this quickly would be challenging. Progress is being made under the DEFRA led Livestock Information Programme which will help on some elements of end-to-end traceability, however further work is required in the medium to longer-term to build a fool proof system. FSA continues to work closely with DEFRA on this important work.

## **Risks**

7.15 There are several risks that must be acknowledged when considering the potential introduction of any legislative change that would lead to regulatory divergence:

- Market sustainability and impact on consumers: stakeholders expressed concerns that pursuing modernisation through legislative change which could impact operating costs (for example, due to enhanced traceability requirements) could affect market sustainability if smaller businesses fail and the market becomes dominated by fewer larger businesses. This may impact the prices paid by consumers and consumer choice in the long term.
- Impact on economic viability of small businesses: small businesses face increased difficulty with the costs of operating under the current economic climate. There was a strong view across stakeholder groups that any changes that would lead to any increase to these costs should be avoided. Small abattoirs also raised concerns about the cost of investing in new technology and digital solutions to streamline bureaucracy given the tight margins that they are currently facing.
- Domestic changes could result in divergence across the four nations which was not a popular concept with consumers and industry. Separate legislative amendments would be required in England and Wales with potential problems with prioritisation and timing. Businesses in Northern Ireland would remain bound by the existing EU derived regulatory regime and arrangements with Scotland remain uncertain due to devolved jurisdiction.
- The long-term sustainability of the current delivery model; the combination of advances in technology for meat production, an aging meat inspection workforce and challenges with recruitment and retention put into question the long-term sustainability of the delivery model if we do nothing to modernise our approach

## **8. Conclusion to Part B**

8.1 All stakeholders agree that there are changes that could be made to deliver Official Controls that would be less resource intensive, more proportionate and that would maintain our current high safety standards in food production. This would require legislative change which would introduce a different regulatory regime for domestic producers and those exporting to the EU and elsewhere. As most producers directly or indirectly export some or all of their products and would therefore need to remain aligned to the EU regulations, introducing a separate domestic regime would create considerable complications for trade arrangements and add increased administrative and operational burden in running dual systems. Industry and some other stakeholders have told us that risks to international trade are their biggest concern.

8.2 In order to deliver a reformed system, it would be necessary to either negotiate an agreement with the EU and other trade partners that a domestic regulatory model was equally as effective as the existing EU regime, or the EU and other trade partners would need to trust that the domestic systems in place in the UK were sufficiently robust to control and trace which products remained on the domestic market and which were exported.

8.3 Having a different domestic regulatory regime would put the meat industry in Northern Ireland at a disadvantage as the NI Protocol requires producers to apply EU controls without exceptions.



Further complications around compliance and traceability would be created by having different regimes between England and Wales and Scotland, especially for those producers with operations across the whole of the UK.

8.4 Addressing these complications through improved traceability controls will take time to develop, may have significant cost implications for industry and government and would therefore probably have an impact on consumers through increased costs.

8.5 Consumer groups have clearly indicated that their primary concern is food safety and would need to be convinced that any changes do indeed protect the current high standards without adding to current inflationary cost pressures.

8.6 In summary, whilst there are potential benefits of a separate reformed Official Controls regime in Great Britain in maintaining high standards in a more efficient and proportionate way, there are significant immediate risks and complications that have led us, and most of our stakeholders, to believe that now is not the right time to pursue these changes. A recommendation to the Board on how the FSA should proceed in relation to legislative change is therefore in para 12.1.

## **Part C: OTP Organisational Changes**

### **9. Introduction to Part C**

9.1 The FSA strategy for 2022 to 2027 describes our need to evolve and respond to change as we adapt to the greater responsibilities now that the UK is outside of the EU in order to deliver our mission of Food you can Trust. As explained in the first part of this paper, OTP has been exploring a number of different delivery elements. Some are effectively about modernisation and can be taken forward now. Others would require longer-term transformative change, mostly facilitated by legislative change.

9.2 In the past year, there have been several significant developments. The Retained EU law (REUL) Bill has been introduced to Parliament, which may provide a vehicle for us to make legislative changes to facilitate reform, but which also places very substantial pressure on our work programme (see separate papers on Retained EU Law and on Prioritisation). So does the work underway across Government on a Borders Target Operating Model, to which we are contributing. The FSA has therefore re-prioritised and sequenced our reform work, particularly that requiring legislative change.

9.3 As demonstrated in part B of this paper, there is limited appetite from stakeholders for changes that might result in a two-tier system for the domestic and international markets. Such changes would not be “quick wins.” Any transformative reforms need to be worked through very carefully, to make sure the implications for international trade and impact on businesses are properly understood. This will take time and will – as always – require joint working across the different parts of the UK.

9.4 Given this context, our view is that some of the original concepts explored by OTP (such as legislative changes to provide a more tailored FSA presence in meat plants), although still valid, are complex and would be difficult to deliver in the short term without considerable downsides for industry. We need to pause and take the time to consider how these ambitions can be pursued in the longer term – and to consider this in the light of similar discussions about transformation in the Local Authority setting (through the Achieving Business Compliance (ABC) programme) and at the border (through Government work on the new Target Operating Model).

9.5 We therefore think it makes sense to make changes to the structure and scope of OTP. It is recognised that there are strong common themes in the transformation work being taken forward

within OTP and ABC. Both programmes aim to use data and intelligence to inform a more risk-based approach, both are looking at the implications of the changing shape of the food sector in the UK and the opportunities available now that food law is made within the UK.

9.6 It therefore makes sense to rescope by bringing these two areas of transformational work together and this will be done under a single combined Transformation programme within the Strategy and Regulatory Compliance Directorate.

9.7 We will also continue to progress the work falling under the scope of the FDM that relates to the modernisation of the existing regulatory framework. This work focuses on continuous improvement, better use of technology, improving and streamlining products and processes to improve efficiency and effectiveness, and reducing administrative overheads. This work will continue to be delivered within the Operations Directorate.

## 10. Conclusion to Part C

10.1 Therefore, from January 2023, Operational Transformation will cease as a programme and will be replaced by a new Operational Modernisation Programme within our Operations Directorate which will take forward the modernisation and continuous improvement work. The longer-term transformational work will now form part of the ABC Programme.

10.2 Both the transformation and modernisation programmes will impact on a wide range of stakeholder groups and so we will ensure that as these changes take place, we continue to engage extensively with all interested stakeholders ahead of any proposed changes to the way we regulate.

## Part D: Conclusions and Recommendations

### 11. Conclusions

11.1 The FSA must continue to protect consumers whilst also supporting industry by providing a sustainable and modernised approach to the delivery of Official Controls which supports smaller businesses in a competitive market whilst making the best use of valuable FSA resource.

11.2 Whilst there are clearly potential benefits associated with introducing a reformed regulatory model for a domestic market in England and Wales, such as improved identification of risk and more efficient and effective use of resources, consideration must be given to the potential impacts on both consumer confidence and the ability of food businesses to trade internationally.

11.3 Whilst a separate domestic regulatory regime could result in greater flexibility in delivering controls for FSA and industry, more choice for consumers and improvements in traceability, animal welfare and sustainability, there are strong indications that a dual system could adversely affect consumers in terms of reduced confidence and increased costs.

11.4 For industry, the main impacts are seen as increased risks to current markets and increased costs associated with lost trading capability and additional administrative burdens linked to two separate regimes which potentially will be passed directly to the consumer and/or livestock primary producers. In the last 5 years the proportion of red meat exported by the UK has ranged between 19% and 26% of the annual red meat production (**See Annex 3**). There is no direct correlation between the number of plants exporting and the proportion of meat exported; in practice, significantly more than 25% of UK meat businesses are involved in the export market. They may export whole carcasses or individual parts that means they are reluctant to make changes that could risk this valuable market.

11.5 It is clear that any changes could result in divergent approaches for England & Wales compared to Northern Ireland (where EU rules currently still apply under annex 2 of the NI Protocol) and Scotland (if common approaches are not taken), as well as divergence from the EU model upon which our international trading agreements are based. There will likely continue to be differing levels of appetite for legislative changes leading to regulatory divergence across the UK's administrations in the future.

11.6 The majority of stakeholder feedback related to risks and disbenefits of divergence indicates that significant reform of the regulatory framework should be pursued with caution. Most stakeholders felt that, due to the resultant regulatory divergence, major reform is not something that would provide significant benefits to consumers or industry at the present time, whilst significantly increasing risks to confidence in standards for domestic and export markets.

11.7 Therefore, whilst legislative change to enable a more proportionate and risk-based approach to regulation is still an ambition for the FSA, now is not the right time to pursue major reform via new legislation given the level of stakeholder concern over the practical implications and consequences, particularly in terms of trade. It would be more effective to reduce the current time and resources spent on pursuing legislative change and refocus resources on modernisation of the existing regulatory framework whilst continuing to explore the enabling activity required to support future reform of the system.

11.8 In the modernisation and continuous improvement arena there is much that can still be delivered in the following areas:

- **Digital capability:** the introduction of new technology including improvements in the capture and use of data to support operational decision making, resource deployment and engagement activity through increased automation in order to reduce the administrative burden for both FSA and FBO staff. There are several digital projects either underway or planned as part of the current programme (paragraph 10 and 12). These projects focus on piloting and implementing new technology (such as remote assessment software and artificial intelligence), improving how we collect, store and share inspection and enforcement data, and automating/digitising processes (such as the recent implementation of an online approvals process for new meat establishments).
- **Opportunities within existing legislation:** the consideration of opportunities within the current legislative framework either through existing interpretation of legislation or by looking at alternative approaches in other European countries who operate to the same framework but do things differently to the UK, albeit as EU Member States. This is a topic that has been explored many times and it is important to stress that further changes are likely to be limited.
- **Balance of accountability:** Review the balance of duties and responsibilities between FSA and industry that can be achieved without the need for new legislation, consideration of roles and responsibilities and how these are distributed between FSA and industry to improve accountability, efficiency and effectiveness.

11.9 We recognise that any ongoing work on legislative changes and divergence will need to be fully aligned with wider policy development work being undertaken within the Food Standards Agency and across wider government. This will include alignment with work being progressed in connection with the Retained EU Law (Revocation and Reform) Bill, the Borders Target Operating Model and the ongoing work with the Northern Ireland Protocol.

11.10 The project team has considered the current stakeholder appetite for pursuing legislative change that would result in regulatory divergence, the wider legislative work being undertaken in FSA and across government and improvements that can be delivered through modernisation and continuous improvement to the existing regulatory model, and has put forward the following options:

## Option 1

- Stop any further planned work on investigating legislative changes.

## Option 2

- Slow further work on legislative change for the delivery of Official Controls to ensure that it is progressed in a considered way alongside other wider policy and legislative changes, whilst at the same time refocusing our efforts and reprioritising resources to:
  - a. Work on modernising existing processes, data and technology.
  - b. Continue work on defining the detail of a possible alternative future inspection model whilst also pushing the boundaries on what we could do within current legislation (whilst recognising that this has been explored extensively in the past).
  - c. Work with wider cross-government stakeholders to improve traceability mechanisms as a pre-requisite for potential active divergence in the longer term.
    - OTP Programme will end with the re-structure outlined in part C of the paper, aligning all transformation work under a single programme and introducing a new programme to take forward continuous improvement and modernisation work under the existing regulatory regime.

## Option 3

- Continue with the current scope of the programme, pursuing significant legislative change in the short term whilst in parallel mitigating the associated risks of divergence as much as possible.

11.11 It is important to note that the political and economic landscape is constantly changing and whilst the stakeholder research described above highlights significant obstacles at the present time in taking forward changes that would result in regulatory divergence, circumstances may change, and we should continue to monitor the situation and be prepared to reassess feasibility as appropriate.

# 12. Recommendation

12.1 Based on the evidence it is strongly recommended that we progress with **Option 2** as outlined above and that, whilst pursuing the consideration of legislation changes alongside other related policy and legislative work, activity is refocused on modernisation within the existing legislative framework.

12.2 The FSA Board is asked to:

- **Note** the original aims of the Operational Transformation Programme and progress made against the agreed workplan for 2022/23
- **Note** the outcomes of the Regulatory Divergence Discovery project into the implications of introducing regulatory reform domestically through new legislation
- **Agree** the recommendation in Part D (option 2), to slow further work on legislative change for delivery of Official Controls (and resulting regulatory divergence) to ensure that it is progressed in a considered way alongside other wider policy and legislative changes, and to note that this activity will be combined into one transformation programme (Achieving Business Compliance) whilst refocusing our efforts in Operations on modernisation within the existing legislation.

## Annexes

### Annex 1 - Supplementary evidence to support Part B Implications of Regulatory Divergence for Meat and Animal By-Products

Stakeholders consulted:

| Stakeholder Group   | Stakeholders  |
|---|---|
| <b>Consumers and consumer groups</b>                              | Which? / IPSOS MORI (9 consumer panels) / Sustain   |
| <b>Other Govt Depts/Devolved Administrations</b>                  | Welsh Government Policy Teams, Animal Plant Health Agency, Department Environment Food and Rural Affairs, Department for Business, Energy and Industrial Strategy, Department of Agriculture Environment Rural Affairs, UK Mission to the EU, Department for International Trade, Food Standards Scotland   |
| <b>Industry and Industry bodies</b>                               | British Meat Processors Association, National Craft Butchers, Northern Ireland Meat Exporters Association, Association of Independent Meat Suppliers, British Poultry Council, Small Abattoir Group, NI Pork, TNP Poultry, St David's Poultry, Karro, Moy Park, Pilgrims, Avara, Cranswick, Dunbia, Neerock (Morrisons), Anglo-Beef Processor, 2Sisters, Keepak |
| <b>FSA Internal Stakeholders</b>                                  | Feedback from Steering Group/Programme Board and working group  |
| <b>Other interested parties not falling into the groups above</b> | British Veterinary Association, Farmers Union of Wales, Red Tractor, Agriculture and Horticulture Development Board, Hybu Cig Cymru – Meat Promotion Wales, National Farmers Union Cymru, Eville & Jones, National Farmers Union, Royal College of Veterinary Surgeons, Dairy Council   |

### Annex 2 – Work Completed and Planned Against Each Programme Element

| Element   | Overall ambition   | Completed to date  | Work planned next (* based on current FSA/Government priorities)  | Work that may be progressed later (subject to future scope for legislative change)  |
|---|--|--|---|---|
| <p><b>Clearer Accountability (Elements of Modernisation and Transformation)</b></p> | <p>Industry responsible for producing safe food, FSA as regulator responsible for assuring and verifying</p> | <p>Launch of project which will undertake a comprehensive and critical review of the range of inspection tasks undertaken within the current framework (industry and FSA) to inform future inspection model options.</p> | <p>External engagement with impacted stakeholders.</p> <p>Design of several inspection model options – progression of appropriate changes that can be achieved within the existing regulatory framework.</p>  | <p>Implementation of any changes to our inspection model that would require legislative change</p>  |
| <p><b>Tailored Presence (Elements of Modernisation and Transformation)</b></p>      | <p>Putting our resources where they can add the most value based on risk and compliance levels</p>           | <p>Developed and trialled a digital segmentation model, to categorise individual FBOs according to risk. Trial identified improvement opportunities and model is being developed before re-launch.</p>                   | <p>Launch of refreshed Segmentation model in the new year including user-acceptance trials and gradual expansion through pilots. Undertaking full public consultation.</p> <p>Further feasibility work may be undertaken with other government departments, in relation to beginning informal conversations with EU.</p> <p>Further work will be undertaken with other stakeholders on traceability mechanisms.</p> | <p>Development and use of model for risk-based determination of in-plant resources which require legislative change</p> <p>Further work on developing specific legislative change</p> |

| Element  | Overall ambition  | Completed to date  | Work planned next (* based on current FSA/Government priorities)  | Work to be completed later (subject to future scope for legislative change)   |
|--|---|--|---|---|
| <b>Robust Assurance (Modernisation)</b>        | Intelligence led with a suite of assurance tools and intervention methods                             | Potential implication of regulatory divergence discovery stage completed with output and conclusions outlined for discussion at FSA Board December 2022. | <p>Work with Field Operations to identify alternative/additional uses for the remote technology.</p> <p>Identify cost savings and benefits, specifically around environmental impact, based on feedback received following audits using remote technology compared to audits carried out in person.</p> | <p>Development of a food safety compliance assessment mechanism (Food Board Operations FBO).</p> <p>Explore how to clarify x interact (3rd Party Assurance) additional measures taken by for consider in audits</p> |
| <b>Transparent Compliance (Transformation)</b> | Publishing/sharing FBO performance data. Working with 3rd party assurance organisations and retailers | Trialling the use of remote digital capability to gather live video, still photography and audio evidence to support remote audit assessment.            | Publication and sharing of compliance risk scores once a robust, defensible, and explainable segmentation model is in place and a full consultation has been undertaken.  | -   |

| Element                                      | Overall ambition  | Completed to date  | Work planned next (* based on current FSA/Government priorities)   | Work to be completed later (subject to future scope for legislative change)   |
|--|---|--|--|---|
| <p><b>Digitised Data (Modernisation)</b></p> | <p>Collecting the data we need, with better tools and with improved consistency</p> | <p>Digital Approvals online case management system went live in May, streamlining the approvals process, reducing the burden of paperwork and administration, giving staff time to focus on more important elements of the role.</p> <p>Food Chain Information /Collection and Communication of Inspection Results (FCI/CCIR) work to review what data is captured on site, and how and to identify what digital solutions are available to streamline this process.</p> | <p>Assessment of opportunities for digitising other operational services and processes using new case management system.</p> <p>Continued work on improving data gathering for FCI/CCIR, systems integration, tools and processes.</p> <p>Identify and test solutions to enable data that has been gathered from any device and input into existing system. Progress with testing digital solutions and identifying suitable system.</p> | <p>Collecting and use of electronic data to support daily inspection activities would require legislative changes to lead to divergence</p> |

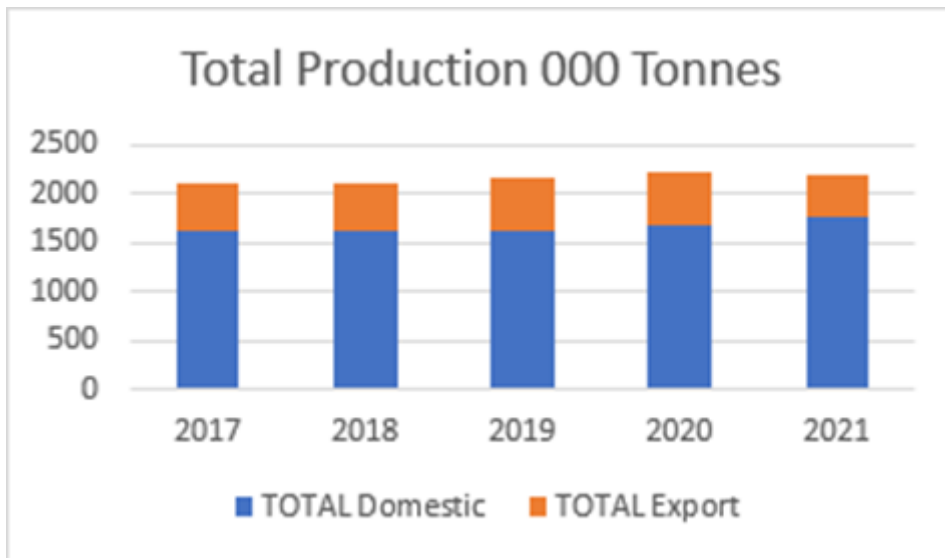


| Element  | Overall ambition   | Completed to date  | Work planned next (* based on current FSA/Government priorities)  | Work to be progressed later (subject to future scope for legislative change)                        |
|--|--|--|---|---|
| <b>Modernised Management (Modernisation)</b>   | Better processes and systems, digital tools and services | Resource Allocation System (RAS) Discovery work into requirements for system to manage resources and schedule audits and visits. | Resource Allocation System is currently de-prioritised as a standardised approach has been adopted across Field Operations based on a standard set of allocation templates. This project will be revisited once the new FSA HR/Finance system is implemented, and further integration can be considered | -   |
| <b>Resource Capacity &amp; Capability (Mainly Transformation a few Modernisation elements)</b> | Better recruitment, retention and career development     | Official Veterinarian (OV) Resourcing Discovery Phase that proposed options for stabilising out OV resourcing model.             | Impacting the work done on inspection tasks under the Clearer Accountability element on OV and OA roles and responsibilities  | Changes to roles or responsibilities that would require legislative change could lead to divergence |

## Annex 3 – Annual Production Totals

| Value   | 2017    | 2018    | 2019    | 2020    | 2021    |
|---|---------|---------|---------|---------|---------|
| <b>Total red meat production (000 tonnes)</b> | 2,106.6 | 2,114.6 | 2,179.4 | 2,214.3 | 2,189.9 |
| <b>Exports</b>                                | 497.6   | 502.7   | 564.2   | 544.9   | 426.4   |
| <b>% exports</b>                              | 23.62   | 23.77   | 25.89   | 24.61   | 19.47   |

## Total production



## Value of exports

