

Annual Report & Accounts
2002/03
Protecting Public Health & Animal Welfare





An executive agency of the Food Standards Agency

Protecting Public Health & Animal Welfare

Annual Report & Accounts 2002/03

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by a member of the Scottish Executive,
at the request of Scottish Ministers, 14 July 2003

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MISSION STATEMENT TO BE AN OPEN AND INDEPENDENT SERVICE DEDICATED TO THE PROTECTION OF PUBLIC HEALTH AND ANIMAL WELFARE BY IMPROVING THE QUALITY OF ITS SERVICES AND STANDARDS IN LICENSED MEAT PLANTS IN GREAT BRITAIN (GB).

AIM

To safeguard public health and animal welfare through fair, consistent and effective enforcement of hygiene, inspection and welfare regulations in GB.

OBJECTIVES

- To provide supervision, inspection and health marking in all licensed fresh meat premises.
- To deliver value for money in the provision of efficient and high quality services.
- To apply the principles of the Government's Service First programme, in particular to maintain or improve the quality of services to customers.
- To achieve the financial and performance targets set by the Food Standards Agency (FSA) Board.

FUNCTIONS

The principal functions of the MHS discharged on behalf of the FSA are:

- The enforcement of hygiene legislation in licensed fresh meat premises.
- The provision of meat inspection and controls on health marking in licensed red meat, poultry meat and wild game meat premises.
- The enforcement of hygiene controls in meat products, minced meat and meat preparation plants, that are co-located with licensed slaughterhouses.
- The enforcement, in licensed fresh meat premises, of controls over Specified Risk Material (SRM) and other animal by-products, and controls prohibiting the sale of meat from cattle over 30 months of age.

The MHS also undertakes the following work on behalf of the Department for Environment, Food and Rural Affairs (Defra), the Agriculture and Rural Affairs Department (ARAD) of the National Assembly for Wales, and the Scottish Executive Environment and Rural Affairs Department (SEERAD) under Service Level Agreements (SLAs):

- The enforcement of animal welfare at slaughter rules in licensed slaughterhouses.
- The collection and dispatch of samples for statutory veterinary medicines residue testing on behalf of the Veterinary Medicines Directorate (VMD).
- The collection and dispatch of samples for TSE examination and testing.
- Cattle identification checks as part of the Cattle Tracing System (CTS) at licensed slaughterhouses.

- Provision of export certification when required either by the importing country or by European Union (EU) legislation.
- The enforcement, in licensed premises, of emergency controls related to animal disease outbreaks, including Foot and Mouth Disease (FMD).

The MHS also discharges the responsibilities of the Rural Payments Agency (RPA) under an SLA for

- The supervision, inspection and monitoring of the provision of services for the Over Thirty Months Scheme (OTMS).

The MHS may also deliver services, through SLAs or contracts, to other public or private sector customers, subject to the approval of the FSA, in accordance with its general aims and objectives, and HM Treasury guidelines on selling to a wider market.

CUSTOMER SERVICE

The MHS always tries to provide a high-quality service, which all our customers are satisfied with. However, sometimes things can go wrong. When this happens, we encourage people to let us know. In the majority of cases, raising a complaint and having it investigated at local level is the simplest and quickest way of having a matter resolved. We encourage everyone to do this wherever possible. However, sometimes a complaint raises complex issues, or may need detailed investigation, or may need considering at a more senior level.

If a complainant is unhappy with our response to their complaint, they may ask for it to be reviewed – internally, initially by the Chief Executive, and subsequently externally (if the complaint relates to an MHS decision) by an independent assessor appointed by the FSA.

WHO THIS ANNUAL REPORT AND ACCOUNTS IS FOR

This is our eighth Annual Report and audited Accounts. It has been written to present an open, honest and accessible account of the work of the MHS in 2002/03. It is being made widely available in printed and electronic form.

It is the 'shop window' of the MHS. It aims to provide information to our stakeholders - including our staff - our customers, meat industry representative organisations, consumers, Government departments and others who have an interest in animal welfare, meat hygiene, Bovine Spongiform Encephalopathy (BSE) controls and the protection of public health and animal welfare, both in GB and internationally.

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ANNUAL ACCOUNTS 2002/03

REGIONAL DETAILS

CHIEF EXECUTIVE'S OVERVIEW WE ACHIEVED A GREAT DEAL IN 2002/03 TO THE BENEFIT OF OUR CUSTOMERS AND STAKEHOLDERS, AND OUR MOST VALUABLE STAKEHOLDERS OF ALL - THOSE WHO WORK FOR US. WE ADDED TO OUR EXISTING, FORMAL MEANS OF COMMUNICATION WITH STAFF BY HOLDING - FOR THE FIRST TIME EVER - A NATIONAL MANAGEMENT CONFERENCE IN HARROGATE IN NOVEMBER 2002.



At the turn of 2002, we took a significant step in making MHS senior management more accessible to the workforce by starting to hold 'Open House' sessions at the end of every monthly meeting of the MHS Management Group. The venue for these meetings changes each month, and staff from a 50-mile radius are now invited to attend to ask questions and express opinions on any aspect of the MHS.

A handwritten signature in black ink that reads "C.J. Lawson". The signature is written in a cursive style with a long horizontal line extending to the right.

C J Lawson, Chief Executive

Dear Reader,

Thank-you for the interest you have shown in the work of the MHS by simply picking up this document. I hope you find it useful and attractive, and I hope it will give you a comprehensive picture of who we are and what we do without burdening you with technical detail.

The year we are reporting on, from April 2002 to March 2003, was the eighth year of operation of the MHS. It was also a year of great change in terms of organisational development, and the legislative requirements placed upon us.

The new financial year got off to a flying start with the launch, in April, of our major, ongoing programme of organisational change, branded as 'Moving Ahead'. This was explained in great detail to our staff in a series of presentations, and their feedback was actively encouraged.

Phase One of the 'Moving Ahead' changes was accomplished during 2002 with the establishment of the Veterinary & Technical Directorate, providing essential technical support and internal verification, and a Business Development Unit, delivering corporate business support for the whole organisation.

The creation of the Veterinary & Technical Directorate – in particular, its Verification & Audit Unit and Service Level Agreement Unit – and the establishment of a Procurement Team within the Finance Department, involved the recruitment of a number of staff who were new to the MHS, and to whom I extend a warm welcome.

Phase Two, which began in November 2002, continues with the establishment of an Operations Directorate to give us a single line of operational management, and the appointment of two new types of staff - Regional Veterinary Advisers and Area Managers – as well as Senior Meat Hygiene Inspectors with an enhanced managerial role.

Much of our enforcement work is rooted in EU-wide legislation. The HACCP (Hazard Analysis and Critical Control Point) principles of food hygiene were introduced into larger licensed premises in summer 2002. The same year also saw the introduction of new TSE Regulations which update and partly supercede the earlier SRM Regulations, and form the legal basis for some of the sampling and surveillance work that the MHS undertakes on behalf of other bodies. And new regulations on animal by-products required extra training for our operational staff on the identification of animal by-products, and on their disposal.

We achieved a great deal in 2002/03 to the benefit of our customers and stakeholders, including our most valuable stakeholders of all – those who work for us. We added to our existing, formal means of communication with staff by holding – for the first time ever – a National Management Conference in Harrogate in November 2002.

This was attended by more than 200 managerial staff from all over Britain, who took part in formal workshops and less formal activities, so improving their knowledge base and building an *esprit de corps* with colleagues from far and wide.

The results of our 2002 Annual Staff Attitudes Survey showed some improvement in the way the MHS is viewed by those who work for it – including, for the first time, those who work for us on contract – but also highlighted some areas for further improvement.

At the turn of 2002, we took a significant step in making MHS senior management more accessible to the workforce by starting to hold 'Open House' sessions during every monthly meeting of the MHS Management Group. The venue for these meetings moves around Britain each month, and staff from a 50-mile radius are now invited to attend to ask questions and express opinions on any aspect of the MHS.

As you will read in this report, we are making a major investment in electronic communications, and will soon achieve rapid communication with our operational staff in licensed premises. This will enable us, for the first time ever, to send them vital operational information at a computer keystroke.

Much remains to be done in terms of organisational development and improving conditions for our staff. Unfortunately, we cannot achieve everything we wish for. This is particularly true in the current economic climate, where budgets are tight and hard decisions have to be made on spending priorities.

2003/04 will therefore be another challenging year, but I remain extremely confident in our ability to continue to provide first-rate and well-trained staff to deliver a professional, consistent, and high-quality meat inspection service on demand, 24 hours a day, seven days a week.

My thanks go to every member of staff - wherever they are based - for their commitment and hard work throughout the year, the story of which is reflected in the following pages.



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THE MHS IN CONTEXT



THE ORIGINS OF THE MHS

The MHS is an Executive Agency of the Food Standards Agency. It was first established as an Executive Agency of the former Ministry of Agriculture, Fisheries and Food (MAFF) - now part of the Department for Environment, Food and Rural Affairs (Defra) - on 1 April 1995, when it took over meat inspection duties from some 300 local authorities. On 1 April 2000 the MHS moved from MAFF to become part of the newly-created Food Standards Agency.

MEAT HYGIENE ADVISORY COMMITTEE (MHAC)

The remit of the Meat Hygiene Advisory Committee is to consider, review and advise the FSA Board on meat hygiene policy (including BSE) within a framework set by the Board, and to take strategic oversight of the MHS to ensure that the MHS operates efficiently and effectively. It meets four times a year.

A key issue for MHAC is the annual setting of targets for MHS performance, against which the MHS is assessed at the end of each financial year.

Other key issues discussed by MHAC during 2002/2003 included:

- The provision of an 'on demand' service by the MHS, given the requisite period of notice
- The implementation of HACCP and microbiological testing
- Updating of the MHS Operations Manual
- The MHS Staff Attitude Survey
- FSA audit of the MHS
- Poorly performing plants with low HAS scores

In May 2002, to coincide with a meeting of MHAC in Leeds, the MHS facilitated visits by MHAC members to a number of licensed premises in the North Region to familiarise themselves with working conditions at the 'coal-face' of meat inspection.

MEMBERSHIP OF MHAC DURING 2002/2003

| | |
|--|--|
| Suzi Leather | MHAC Chair and FSA Deputy Chair (until 31 December 2002) |
| Iain MacDonald | External Member and MHAC Vice Chair (until 31 December 2002); FSA Board Member (from June 2002) and MHAC Chair (from 31 December 2002) |
| Michael Gibson | FSA Board Member |
| Baroness Valerie Howarth of Breckland, OBE | FSA Board Member |
| Robert Rees | FSA Board Member |
| Willie Davidson | Scottish Food Advisory Committee |
| Robert Bell | Food Advisory Committee for Wales |
| David Collins | Northern Ireland Food Advisory Committee |
| Miriam Parker | External Member |
| Denise Rennie | External Member |
| Anne Wilson | External Member |
| Waheed Saleem | External Member |
| Jim Scudamore | Government Chief Veterinary Officer |

THE MHS WORKFORCE

The MHS workforce consists of a combination of around 2,000 employed casual and contracted staff, the majority (around 90 per cent) of whom work in the 'front-line' hygiene inspection teams located in licensed meat premises throughout Great Britain.

The MHS employs around 200 administrative and managerial staff based at its headquarters in York and in its regional offices in Cardiff, Edinburgh, Taunton, Wolverhampton and York.

A map of the regional boundaries, with contacts in HQ and each regional office and the relevant address, is shown on the inside back cover of this report.

THE MHS MANAGEMENT GROUP

The Chief Executive is supported by a Management Group consisting of six HQ Directors (Operations, Veterinary & Technical, Human Resources, Finance, IT, and Organisational Development) and five Regional Directors.

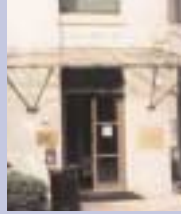
The Management Group is the senior MHS strategic forum determining the direction of the MHS, and providing leadership and management of MHS resources. The group meets each month to share national and regional perspectives,



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and to review progress against its corporate performance targets and Business Plan. Meetings rotate around the HQ and regions of Britain. They now provide an opportunity for the Management Group to meet MHS staff face to face, at the 'Open House' sessions held during every meeting – a practice first established in Taunton in November 2002.

MHS performance is closely monitored by the Management Group to ensure delivery of agreed MHS services within budget, and consistency in delivery of those services across regions, through the most efficient and cost-effective means, and to ensure that the MHS focuses on the demands placed upon it by major Civil Service reform initiatives.

CHANGES TO MHS SENIOR MANAGEMENT

There were several changes in senior management during 2002/03. Some came about as a result of organisational change – a process that is fully described later. Others came about as a result of personal decisions taken by individuals.

HEADQUARTERS

Jane Downes was appointed as MHS Veterinary and Technical Director on 30 September 2002. This post – created under the 'Moving Ahead' programme of organisational change - was held by Jane on an acting basis from May until September 2002. Previously she had been the Acting Director of Veterinary Services, a post subsumed into her new role.

Jenny Sergeant took up the post of Director of IT on 6 January 2003, joining the MHS from East Riding of Yorkshire Council. Her post includes responsibility for delivering and implementing a revised and updated IT Strategy.

Michael (Mike) Greaves was appointed as MHS Director of Operations on 7 April 2003, having acted in that role since January 2003. This is another new post, created under 'Moving Ahead'. Mike was Regional Director of the North Region for six years, before being seconded to MHS HQ in January 2002 as Project Director for Business Planning – a post he left in order to become Acting Director of Operations in January 2003.

NORTH REGION

Penny Howarth became the sole Acting Regional Director in April 2003, having shared the role jointly with Graham Lee, an Area Resource Manager, since January 2002. Graham returned in April 2003 to operational duties as an Area Manager within North Region. Area Manager posts are replacing those of Area Resource Manager, as a result of internal reorganisation. Penny was appointed a Regional Director in June 2003.

CENTRAL REGION

Barry Gidman, Regional Director, announced in February 2003 that he intended to take early retirement from the MHS in July of that year. The post was advertised and the name of his successor – Paul Thomas - was announced in May 2003.

SOUTH & WEST REGION

Paul Jackson, Regional Director, announced in December 2002 that he intended to leave the MHS in April 2003 to pursue a career change. Paul Wandless, HQ Operations Support Manager, was appointed Acting Regional Director pending the appointment of Paul Jackson's successor, Robin Harbach.

HQ SUPPORT

HQ support is provided to the whole organisation by a number of departments based in York:

- The Veterinary and Technical Directorate, created on 20 May 2002, consists of the Veterinary & Technical Director*, a Veterinary & Technical Support Unit (including the Operations Manual Editorial Team), a Verification & Audit Unit, and an SLA (Service Level Agreement) Management Unit.
- The IT Department is responsible for the Information and Communication Technology infrastructure in HQ and in the regional offices, and for supporting the owners and users of MHS systems and applications.
- The Finance Department provides general financial services including revenue accounting, debt recovery, financial and management accounting, procurement services, accounts payable, and an in-house payroll system.
- The Human Resources Department is responsible for the recruitment, training, and welfare of staff and includes a full-time Health & Safety Manager.
- The Business Development Unit, also created on 20 May 2002, embraces the corporate business and communications functions and provides the Secretariat for the MHS Management Group and support to the Chief Executive. It provides contact points in relation to bodies such as MHAC and the MHS Industry Forum, and for the receipt of Parliamentary Questions and general correspondence, including formal complaints.

*The Veterinary and Technical Director reports to the Chief Executive on MHS operational matters, and also to the Government's Chief Veterinary Officer (CVO) on professional veterinary matters.



HQ support is also provided by the Project Director for Organisational Development who acts as the focal point for the 'Moving Ahead' programme of organisational change, and is charged with driving forward proposed changes in an integrated and consistent way, across all MHS departmental and regional boundaries.

MHS OPERATIONS

The vast majority of MHS staff are operational, meaning that they work in one or more of the licensed premises in Great Britain (see table below). By professional discipline and training, they are either veterinary surgeons, red meat and/or poultry meat hygiene inspectors, or meat technicians.

Because of the different functions, capacities, and operating hours of licensed premises, some will work only in one plant. Others may have responsibilities at a number of plants in the same area. A large number of OVSS and some MHIs work for the MHS on contract, rather than as direct employees

Based on average hours worked over a 20-week period* by 1,392 operational staff, 721 worked an average of between 36 and 43 hours a week and 465 worked an average of between 43 and 48 hours a week.

* 4 November 2002 to 23 March 2003

Under Phase 2 of the 'Moving Ahead' programme, an Operations Directorate was created in January 2003 with the appointment of Mike Greaves as Acting Director of Operations. He is supported by the Operations Support Manager and team, and the five Regional Directors.

THE MHS REGIONS

The five MHS regional offices are in Edinburgh (Scotland Region), York (North Region), Wolverhampton (Central Region), Cardiff (Wales Region) and Taunton (South & West Region). Each offers direction of - and support for - front-line operational services. In broad terms, each office is responsible for co-ordinating all the information and paperwork involved in providing our operational services and for monitoring the work of all levels of staff, to ensure that targets are met.

Regional offices play a key role in monitoring performance against the targets set by the Food Standards Agency, co-ordinating audits conducted by Veterinary Meat Hygiene Advisers (VMHAs) of the FSA, and ensuring that any corrective action required as a result of the audit results is taken.

The Business Project Manager has overall responsibility for administration within the region, and the Office Manager deals with the day-to-day running of the office.

NUMBER OF LICENCES AT 3 APRIL 2003

| TYPE OF LICENCE | | ENGLAND | SCOTLAND | WALES | GREAT BRITAIN |
|--|-----------------|--------------|------------|------------|---------------|
| FRESH MEAT | | | | | |
| Slaughterhouses | Full throughput | 174 | 35 | 17 | 226 |
| | Low throughput | 117 | 10 | 14 | 141 |
| Cutting plants | Full throughput | 296 | 55 | 22 | 373 |
| | Low throughput | 158 | 24 | 17 | 199 |
| Cold stores | | 223 | 24 | 25 | 272 |
| Re-packaging Centres | | 5 | 2 | 0 | 7 |
| Farmed game handling facilities | | 60 | 3 | 0 | 63 |
| Farmed game processing facilities 1 | | 2 | 1 | 0 | 13 |
| Farmed game handling/processing facilities | | 0 | 1 | 5 | 6 |
| TOTAL | | 1,045 | 155 | 100 | 1300 |

| | | | | | |
|--|-----------------|------------|-----------|-----------|------------|
| POULTRY MEAT, FARMED GAME BIRD MEAT & RABBIT MEAT | | | | | |
| Slaughterhouses | Full throughput | 69 | 6 | 6 | 81 |
| | Low throughput | 41 | 3 | 4 | 48 |
| Cutting plants | Full throughput | 186 | 11 | 16 | 213 |
| | Low throughput | 131 | 7 | 12 | 150 |
| Cold stores | | 164 | 18 | 13 | 195 |
| Re-wrapping centres | | 8 | 3 | 0 | 11 |
| TOTAL | | 599 | 48 | 51 | 698 |

| | | | | | |
|---------------------------------|--|---|----|---|----|
| WILD GAME MEAT | | | | | |
| Wild game processing facilities | | 0 | 16 | 0 | 46 |

Source: Licensing Branch of the FSA's Veterinary Public Health Operations Division

Regions are responsible for ensuring that meat inspection staff are provided, at the right time and in the right place, with all the necessary equipment to carry out meat inspection duties, and also for supplying specialist equipment to enable sampling to be undertaken. Plant operators from any of the 2,000 plus licensed premises (see table above) can telephone their regional office to discuss any queries on their invoices with the Customer Liaison Officer.

Brief descriptions of the roles and responsibilities of MHS operational staff in 2002/03 are given below.

It should be noted that the job titles of POVS and ARM, and their respective roles, are in the process of being replaced - under the 'Moving Ahead' programme of organisational change - by the fundamentally new roles of Regional Veterinary Adviser (RVA) and Area Manager (AM). The 'Moving Ahead' project is being implemented region by region, and is dealt with in a separate section later in this report. The role of the Senior Meat Hygiene Inspector is also being enhanced.

Principal Official Veterinary Surgeons (POVSs) are qualified veterinary surgeons who have normally worked as an OVS, and have gained sufficient experience to be able to offer technical support to teams of plant-based OVSs.

Official Veterinary Surgeons (OVSs) are qualified veterinary surgeons, who have additionally attained official designation as an OVS in order to enforce legislation on public health, animal health and welfare at slaughter. They are the MHS team leaders in each plant, carrying statutory responsibility under the relevant hygiene regulations for ante-mortem inspection, post-mortem inspection, and health-marking. They also monitor and supervise plant operators' compliance with their legal obligations.

Area Resource Managers (ARMs) have a background in meat inspection, but undertake the management function of ensuring that sufficient operational staff are available to provide a service to any plant requiring it. ARMs are home-based, with IT systems allowing them to write reports and conduct administrative tasks, but they also travel from plant to plant. They are responsible for monitoring staff sickness, health and safety policy, expenses and overtime claims, and recruitment. They also ensure that staff have access to necessary protective equipment if they are involved in taking samples, or are dealing with diseased animals.

Senior Meat Hygiene Inspectors/Senior Poultry Meat Hygiene Inspectors (SMHIs/SPMHIs) have line management responsibilities for Meat Hygiene Inspectors, Poultry Meat Inspectors, and Meat Technicians. They may undertake inspection duties on the production line, but are designated 'senior' because of their line management responsibilities.

Meat Hygiene Inspectors/Poultry Meat Hygiene Inspectors (MHIs/PMHIs) are the staff grades in meat inspection who, together with their Seniors, form the 'backbone' of the service. They work on the production line with plant staff at various critical points, each performing a specific inspection task as the carcasses move along the line. They may also assist the OVS in supervising plant operators' compliance with their legal obligations.

Meat Technicians (MTs) are responsible for checking that carcasses are free from Specified Risk Material, and for supervising the staining of SRM. They also examine cattle passports and ear tags to ensure that the Over Thirty Month (OTM) Rule - which prohibits entry to the human food chain of cattle over that age - is being adhered to.

MHS STAFF AS AT 31 MARCH 2003 BY GRADE AND EMPLOYMENT STATUS

| GRADE | EMPLOYED | | | All MHS |
|--------------------------------------|-------------|------------|------------|-------------|
| | Permanent | Casual* | Contract** | |
| POVS | 18 | 1 | - | 19 |
| OVS | 30 | 4 | 349 | 383 |
| SMHI/SPMI | 159 | 0 | - | 159 |
| MHI/PMI | 883 | 75 | 65 | 1023 |
| MT | 270 | 9 | - | 279 |
| Other casual operational staff | - | 12 | - | 12 |
| Trainee MHI | 22 | - | - | 22 |
| Management & administration staff*** | 210 | 2 | - | 212 |
| TOTAL | 1592 | 103 | 414 | 2109 |

Notes

All figures are based on substantive grade rather than acting grade

* Based on an average casual contract being equal to 0.7 of a full time equivalent (FTE)

** Numbers of contract staff are rounded, and expressed as FTEs

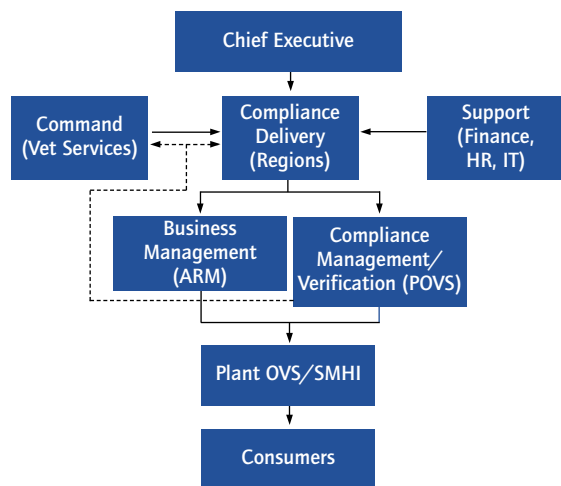
*** Management & Administration includes Regional Veterinary Advisers (replacing POVVs), ARMs and Area Managers (replacing ARMs), but not POVVs, OVSs, SMHI/SPMIs, MHI/PMIs, MTs and Trainee MHIs



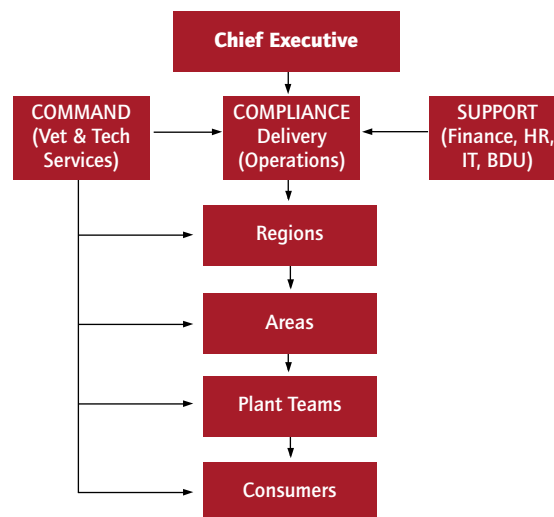
The two flow charts below show how the structure of the MHS is changing to a simpler model, in which there is a single and direct chain of command from the Operations Directorate,

through the MHS regions and areas, to those working for the MHS in licensed premises. The verification function now feeds in at all operational levels.

MHS STRUCTURE (as at 1 April 2002)



MHS STRUCTURE (as at 31 March 2003)



WHAT WE DO IN LICENSED PREMISES

Put simply, the job of the MHS is to ensure that all fresh meat produced in licensed premises in Great Britain and destined for sale for human consumption is produced in accordance with the relevant legislation, and in a hygienic way. The responsibilities of the MHS start when animals arrive at licensed premises, and they end when carcasses leave the premises.

The MHS also protects the welfare of animals destined for slaughter, and protects public health – for example, by ensuring that those parts of animals that may contain BSE infectivity are removed, stained, and disposed of safely.

The scale of MHS operations is extensive. The table below gives numbers of the more common food animals processed during the year 2002/03.

| SPECIES OF ANIMAL OR BIRD | TOTAL THROUGHPUT IN 2002/03 |
|---|-----------------------------|
| Poultry (all weights and ages) | 777,287,337 |
| Sheep (all weights) | 14,678,068 |
| Pigs (all weights) | 9,052,251 |
| Bovine (cattle), under 30 months of age | 1,877,298 |
| Game, and rabbits weighing more than 2 kg | 1,042,868 |
| Rabbits (all weights) | 31,838 |
| Goats (all weights) | 13,787 |
| Wild boar (all weights) | 1,292 |

The in-plant team

The MHS provides an inspection team in all licensed slaughterhouses and cutting premises that produce meat or poultry for sale for human consumption in Great Britain. It also visits cold stores and re-packaging or re-wrapping centres on a regular basis. There are separate arrangements in Northern Ireland, where meat inspection and veterinary supervision is provided by the Department of Agriculture and Rural Development (NI).

The inspection team is always led by an OVS and includes a number of red meat or poultry meat hygiene inspectors and may include meat technicians. The number of inspectors depends on the size of the plant, the volume and speed of production, and the complexity of its operation. The team is responsible for inspection of the meat, and supervision and enforcement of legislative controls within licensed premises.

Ante-mortem inspection

Livestock delivered to abattoirs are all inspected on arrival by the OVS, who makes a check for any signs of diseases that may be potentially transmissible to humans or animals. The inspection also identifies any signs which might indicate that the husbandry on farm, or transport of the animals, has not been conducted with due regard for their welfare.

Welfare at slaughter

OVS supervision of the lairage (where animals are housed, fed and watered pending slaughter) and the actual slaughter



processes themselves, enables the MHS team to ensure that welfare at slaughter is maintained to the highest standards. The slaughter process is closely supervised to ensure that licensed slaughtermen are competent. Regular checks are made on the positioning of stunning equipment, the effectiveness of the stun, and the efficiency of bleeding, to minimise the risk of any animal suffering during the process.

Slaughtermen's licences are issued by the MHS on receipt of a certificate of competence signed by an OVS or a Veterinary Officer (VO) of the SVS. In 2002/03, a total of 477 slaughtermen's licences were issued by the MHS. These licences may be suspended or revoked if, in the opinion of the OVS or VO, the licence holder becomes incompetent or does not abide by legislation to protect animal welfare at slaughter.

The Clean Livestock Policy

All cattle and sheep presented for ante-mortem inspection are graded into five categories of cleanliness as part of the MHS Clean Livestock Policy (CLP). Since its introduction in 1997, the CLP has been very successful in reducing the number of dirty cattle and sheep sent to abattoirs. Only the cleanest animals (Categories 1 and 2) may progress to slaughter, ensuring that the risk of contamination of the resulting meat is reduced as far as practicable. The OVS may require that dirtier livestock (Categories 3 and 4) are cleaned, clipped, or dried off before being re-presented for inspection. In cases where the stock cannot be cleaned sufficiently to allow slaughter and dressing to proceed hygienically, (Category 5) the OVS has the authority to reject the animal. In 2002/03, 128 sheep and 52 cattle were rejected for slaughter for human consumption because they were judged by the OVS to be too dirty. Such animals are slaughtered but not allowed to go for human consumption.

Inspection of carcasses and offal

Inspection of carcasses and offal to ensure fitness for human consumption is largely the responsibility of the dedicated teams of meat inspectors. Each carcass is carefully inspected, and accepted or rejected as appropriate. The age and eligibility of cattle is also checked by examining their teeth and the documentation accompanying them, to ensure that the operator is fulfilling their responsibility to prevent cattle over the age of 30 months from entering the human food chain. This check also identifies imported cattle that may require the application of additional SRM safeguards.

Hygiene at slaughter/cutting

A significant part of the supervision time in red and poultry meat slaughterhouses is spent ensuring that the slaughter and dressing process is conducted in accordance with the legislative requirements, and that meat is produced with the greatest regard for hygiene. This requires attention to training

programmes and working practices of the operatives, the general upkeep (cleaning and maintenance) of the premises, and specific requirements (such as temperature controls) on the meat.

Animal by-products controls and Specified Risk Material

The slaughtering and dressing process produces an amount of by-product that, in weight, is roughly equal to the amount of edible meat harvested. The waste comprises skin, hides, feathers, gut contents, and parts of the carcass that are not intended for human consumption (these could be feet, lungs and poultry heads) or are rejected as unfit for human consumption by the MHS team. These materials must be disposed of carefully and in accordance with legal requirements, in order to protect animal and public health, and the environment. The OVS and meat inspectors monitor the separation, staining and disposal of animal by-products, as well as their despatch for rendering or disposal, to avoid illegal diversion into the food chain. Special attention is paid to the removal, staining and disposal of Specified Risk Material (SRM) – those parts of cattle, sheep and goats that could, theoretically, contain BSE infectivity – in order to ensure that the consumer is protected.

Health-marking

The health mark is an internationally-recognised symbol identifying meat that has been produced under veterinary supervision, in accordance with the regulations, and has been inspected and passed as fit for sale for human consumption. The health mark indicates the country and premises in which the meat was processed, but not necessarily the origin of the meat.

The health mark is applied to all fresh meat produced in licensed premises, and – depending on whether it is conferred on red meat carcasses or on poultry - is either stamped directly onto the carcass, printed on wrapping, or as a label that seals packaging. It indicates that the meat complies with all the relevant legislation at the time of application. When meat is packed for retail sale, a small copy of the health mark may be printed on the package. The health mark may only be used under the supervision of - and with the authority of - the OVS, who must be satisfied that it is being used correctly.

When inspecting beef carcasses and those of older sheep, the removal of SRM must be confirmed by MHS staff who then mark the inspected carcass with their individually-numbered personal stamp, in addition to the health mark.

HOW WE DO IT - THE MHS OPERATIONS MANUAL

The MHS Operations Manual sets out the instructions from Government customers that aim to ensure the provision of a high-quality and consistent enforcement service. The MHS is audited against the Manual by the FSA's Veterinary Meat Hygiene Advisers and the British Standards Institute. The



1. Oval health mark applied to meat from full throughput premises
2. Square health mark applied to meat from plants operating under low throughput rules
3. Health mark for wild game
4. MHS stamp applied after SRM inspection
5. Young lamb stamp
6. Health mark for boars
7. Health mark applied to meat subject to animal disease control restrictions

Manual is maintained by the Operations Editorial Team (OPET) of the Veterinary and Technical Directorate who liaise with the FSA, Defra, and other Government Departments as necessary, on the drafting of new instructions to reflect any changes in policy, procedures or legislation.

The Veterinary and Technical Support Unit also provides technical input and advice, and oversees the consultation process on proposed amendments to the Operations Manual.

THE HYGIENE ASSESSMENT SYSTEM (HAS)

HAS scores are a general indicator as to the long-term hygiene performance of meat plants. They do not tell you whether an individual piece of meat has been passed as fit for human consumption – that is what the health mark is for.

The MHS uses the HAS to monitor the hygiene controls applied by plant operators in licensed slaughterhouses and cutting premises. HAS is a management tool used as an indicator of hygiene levels – it is not an absolute, and there is no fixed acceptable or unacceptable HAS score. In a range from 1 to 100, most plants score between 70 and 95. Scoring is carried out every month by OVSs in full-throughput plants, but usually quarterly in low-throughput plants.

OVSs are required to meet regularly with plant management to discuss the results of HAS assessments. Where plant management disagree with the HAS score awarded, they can ask for it to be reviewed. Reviews are carried out by a senior veterinarian in the MHS, who compares written evidence from the plant management with recorded MHS documentation.

Plants which consistently comply with statutory requirements and use best practice will tend to score more highly than those simply complying with the minimum statutory requirements.

A low (below 70) or reducing HAS score is just one indicator that the plant should improve hygiene during production. Plants with a low HAS score are subject to appropriate enforcement action to ensure that the required hygiene standards are achieved.

RE-TENDER OF CONTRACT FOR THE PROVISION OF WORKWEAR AND LAUNDRY SERVICES

In October 2001, a re-tender exercise began to award a new contract for the provision of workwear and laundry services to the MHS. At that time the existing contract was due to expire in March 2002, but was rolled over for an extra year to allow sufficient time for a new contract to be designed and re-tendered and for a formal central contract management system to be embedded.

The tender exercise was undertaken by the MHS Laundry Working Group, consisting of representatives from each MHS region and the Finance Department, and led by the Operations Support Unit. Procurement advice was provided by the FSA's Procurement Advisory Unit.

Following an open tender exercise, which included presentations by the short-listed tenderers, a new five-year contract was awarded with effect from 1 April 2003 to Johnsons Apparelmaster. The cost is around £1 million a year.

It is essential that MHS staff working in licensed meat premises always have clean workwear. In order to ensure this, the laundry contractor collects, cleans, repairs and re-delivers more than 10,000 garments a week to around 250 pick-up points throughout Great Britain.

Barcodes on the garments ensure that each one is tracked through the laundry process, and returned to the wearer after cleaning. The barcode also enables the history of each garment to be monitored.

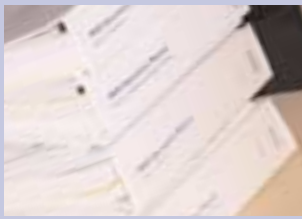
Other essential workwear for MHS operational staff includes Wellington boots, hairnets and beard snoods, and hard hats. Common items of equipment include knives and sheaths to house them; chain mail gloves for protection of the hands, and ink pots and stamps worn at the waist for applying the health mark.

OVS TENDER PROJECT, 2002/2003

Veterinary practices and OVS contractors provide the MHS with around 95 per cent of the OVS services it requires to protect public health and animal welfare in licensed fresh meat premises. In 2002/03 a major re-tendering exercise was carried out to let contracts to service nearly 1,000 plants, accounting for 83 per cent of all contracted OVS hours of work.

The new contracts substantially changed the way veterinary practices provide services to the MHS. Successful contractors have to provide a fully-managed service at one or more plants, rather than supply the MHS with the services of an individual OVS. The practices are now responsible for technical issues and offering advice to their OVSs in-plants, for the appraisal and training of new OVSs, and for continuity of a quality service. To monitor this, the MHS has set up a new contract management system that will assess each contractor's performance in a number of key areas over the life of the contracts.

One of the key objectives was to standardise the specification of service required across the whole of the country. All contractors in England, Scotland and Wales are now required to operate to the same terms and conditions, in contracts that are linked to the complexity of the plants concerned, and the competency of the OVS. The contracts have been let on a staggered, regional basis, with three-year contract going 'live' in September 2002 in the North Region, and four-year contracts being let in the Scotland Region in October 2002, South & West Region in January 2003, and Central Region in April 2003. Contracts in the Wales Region were due to be let at the end of July 2003.



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There is an option to extend all contracts by up to two years to facilitate the next tender project. The new contracts have been drafted in line with Government 'best value' practice, which emphasises the need for a quality service.

A project team, reporting to a Steering Committee of MHS Directors, was set up to manage this exercise. The team, managed by Jane Rodger, included procurement experts from the Office of Government Commerce, the Food Standards Agency and an independent procurement consultant, Michelle van Toop, specialising in public sector procurement.

The MHS consulted with veterinary practices and professional bodies and held regular briefing sessions throughout the country to inform practices of the changes in the new contracts. A tender 'helpline' was set up, and further briefing sessions were held to help practices in the completion of the tender documentation.

In total, 196 tenders were received and 99 contractors were successful in being included on the MHS Approved OVS Contractor List. A closing report and evaluation of the project is being prepared.

In November 2002, six PQs were asked in the Westminster and Scottish Parliaments concerning the re-tendering exercise conducted in Scotland. This issue also generated a number of letters to which replies (or contributions to them) were sought from the MHS by Scottish Ministers and MSPs.

VETERINARY SUPERVISION IN LOW THROUGHPUT LICENSED SLAUGHTERHOUSES

In order to ensure that veterinary supervision levels in low-throughput slaughterhouses fully complied with EU requirements by 31 March 2003, 88 low-throughput licensed slaughterhouses in Britain were identified as requiring changes to their existing levels of veterinary supervision.

Through negotiations for contract variations with private veterinary practices, and by changing the working patterns of a number of employed OVSs, the required changes in supervision levels were successfully achieved by the target deadline.

THE ENFORCEMENT CONCORDAT

The MHS is an enforcement agency operating in licensed meat premises. It embraces the principles of good enforcement, and has signed up to the Government's Enforcement Concordat. These are summarised as high standards, openness, helpfulness, having a formal complaints procedure, and exercising proportionality and consistency in enforcement.

The MHS relies on its enforcement officers to exercise judgement in individual cases, when carrying out their duties. These judgements are monitored during internal and external audits. We try to ensure that MHS duties are carried out in a

fair, equitable and consistent manner by using practical examples of enforcement. These are disseminated through training days, by internal communication, and through the MHS Operations Manual.

Each enforcement officer has to consider the circumstances of each case and the willingness of the plant operator to comply, so that any ultimate action is proportionate to the risk involved. This issue is highlighted particularly during OVS training. All recommendations for prosecution are carefully monitored by the MHS to ensure that the only cases that proceed for consideration of formal legal action are those involving blatant disregard for legal obligations, or those where the matter concerned is so serious that there is no alternative. The FSA and its legal advisers decide, in the light of the evidence and the public interest, whether to proceed to court.

Day-to-day contact between MHS staff and plant staff, and formal monthly meetings between the OVS and plant management, help to ensure that licensed premises are fully informed of any proposed enforcement action, at whatever level in the enforcement hierarchy.

MHS ENFORCEMENT STATISTICS, 2002/03

The MHS Management Group receives monthly reports on formal and informal enforcement action taken by those working for the MHS in licensed premises.

Formal action consists of the issuing of a variety of official notices, when breaches of the law are detected. Informal action ranges from verbal advice to written warnings.

It is important that the full range of enforcement options remain open to an authorised officer, and that as an enforcement authority, the MHS should not adopt policies where the number of improvement notices served is used as an indicator of the performance of its staff.

The volume of formal and informal enforcement action taken during 2002/03 is recorded in the table on the next page.

WORKING WITH LOCAL AUTHORITIES AND OTHER ENFORCERS

The MHS maintains regular and close liaison with local authorities, particularly when problems are identified in slaughterhouses that have arisen elsewhere, outside the jurisdiction of the MHS. Such problems are sometimes to do with animal welfare (either on-farm or during transport to the slaughterhouse); cattle identification, and the release of animal by-products from licensed premises.

Trading Standards Officers of local authorities help in carrying out investigations when MHS staff suspect the validity of cattle passports. This occasionally results in prosecutions for



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animal substitution under the 1998 Cattle Identification Regulations. Suspected breaches of animal welfare regulations that have occurred while the animals are being transported are also referred to the relevant Trading Standards Department.

The MHS also has close relationships with Environmental Health Departments of local authorities. MHS staff attend meetings of local Food Liaison Groups to provide up-to-date information regarding meat controls in licensed premises. The MHS has provided local authorities with expert knowledge and veterinary expertise in their investigations of meat 'scams', illegal slaughtering, and the production of what are termed 'smokies' - sheep carcasses with the skin intact, but from which the wool has been removed by burning.

MHS help has resulted in numerous successful prosecutions, and there are many investigations on-going. The MHS also contributes to FSA advice to local authorities on dealing with illegal activities in the meat trade, and has advised police in investigating allegations of major fraud involving meat.

MHS OVSs are a source of evidence when breaches of animal welfare regulations become apparent at a slaughterhouse. It falls to the OVS at the receiving plant to gather and present information on the condition of the animal on arrival, and this is used in prosecutions initiated by Defra.

plants before the new EU Food Hygiene Regulations come into force. This gives plant operators the opportunity to demonstrate that they are able to maintain effective HACCP-based procedures.

It is the meat plant operators' responsibility to produce food safely. The seven HACCP principles provide a structured method for assessing the operating process, and to anticipate where hazards might arise that could harm consumers if critical control measures are not in place. It is a preventative approach to food safety that is relevant to each individual process and business.

THE SEVEN HACCP PRINCIPLES

1. Identify any hazards that must be prevented
2. Identify the Critical Control Points (CCPs) at the step(s) at which control is essential.
3. Establish critical limit(s) at CCPs.
4. Establish and implement effective monitoring procedures at CCPs.
5. Establish corrective actions to be taken if a CCP is not under control.
6. Establish regular procedures to verify whether the above measures are working effectively.
7. Establish documents and records to demonstrate the effective application of the above measures.

| FORMAL ACTION | NUMBER OF NOTICES, Apr 2002 - Mar 2003 |
|---|--|
| Improvement Notice served under Section 10 of the 1990 Food Safety Act | 972 |
| Regulation 10 Notice (served under Regulation 10 of the Hygiene and Inspection Regulations, as amended), requiring urgent action to be taken to remedy a breach or breaches of the Regulations | 682 |
| "Minded to" Notice (applicable in Scotland only) which gives the plant operator notice of the intention to serve an Improvement Notice | 37 |
| INFORMAL ACTION | |
| Written warning (classified as informal enforcement action) | 4,840 |

PROTECTING PUBLIC HEALTH & ANIMAL WELFARE

THE INTRODUCTION OF HACCP (HAZARD ANALYSIS AND CRITICAL CONTROL POINT) SYSTEMS AND MICROBIOLOGICAL CHECKS

HACCP is the international system of choice for regulating food hygiene. The forthcoming consolidation and simplification of EU food hygiene laws includes the application of all the seven HACCP principles as a basic requirement for all food businesses.

The Meat (HACCP) Regulations 2002 brought in the requirement for all seven HACCP principles to be used in meat

The distinction between HACCP requirements and pre-requisite procedures, such as cleaning, maintenance, pest control, personal hygiene, and staff training, is that pre-requisites are needed to maintain good hygiene whatever the product being produced. HACCP relates to procedures that are specific to the product, in this case, meat or meat by-products (for example, evisceration or chilling).

Hazards may be biological, chemical or physical. Most of them will be controlled by the operators' pre-requisite hygiene procedures that should already be in place because of statutory requirements. The enforcement of adequate pre-requisite programmes is a key MHS role.

While preventing, eliminating and reducing hazards in meat

processing is important for product quality and shelf-life, these measures may also be critical for food safety. Bacteria, lubricants, and bone fragments can all cause harm to consumers.

The key hazards that operators need to address as part of their HACCP analysis are microbiological hazards. Contamination or cross-contamination by bacteria, and growth of bacteria harmful to consumers (such as Salmonella, Campylobacter, and E.coli 0157) that may be present in healthy animals, must be controlled as effectively as possible. People further along the food production chain may be at fault in their handling or cooking of meat, but that does not excuse operators at the start of the meat production process from exercising due diligence while food animals or meat are under their control.

The Meat (HACCP) Regulations were introduced into larger meat plants in summer 2002, and will be introduced into smaller plants on 7 June 2003. Much of 2002/03 was spent in preparing the ground for full HACCP implementation. This involved plants setting up their HACCP team, deciding on the scope of each HACCP plan, and producing a process flow diagram for each meat product.

As well as producing the Meat Plant HACCP Manual, circulated to all plant operators and OVSs in 2002, the FSA arranged 13 HACCP workshops in 2002/03. These were attended by more than 160 personnel from over 60 meat plants, and were held across the UK. In addition the FSA produced and distributed a regular Meat Plant HACCP Newsletter, and also funded an extra hour a month of OVS time in low throughput plants (an extra half-hour a month in small cold stores) to allow OVS's time to advise plant operators on HACCP.

ANIMAL WELFARE REVIEW

MHS staff monitor animal welfare throughout each working day, and provide monthly reports for the relevant MHS Regional Office, and Defra. During 2002/03, the MHS prepared the groundwork for a detailed review of animal welfare in all operational licensed slaughterhouses in Great Britain. The review will be carried out in 2003, as these reviews are conducted on behalf of Defra every two years. The last was in 2001.

The aim of the review is to assess the standards of animal welfare at licensed slaughter premises; and to collect data on the methods of stunning, slaughter and killing used in different sectors of the industry. This data will be used to inform policy decisions, and to plan progressive improvements in standards of animal welfare.

BSE

Enforcing SRM Controls

Controls on Specified Risk Material (SRM) are designed to prevent the parts of slaughtered animals most likely to contain the BSE agent from entering the human food and animal feed chain. They were first introduced for cattle in 1989 and for sheep and goats in 1996. They have been regularly reviewed and strengthened since then, on the basis of developing scientific evidence.

Breaches of legislation in imported meat

The MHS carries out routine checks on imported meat in licensed cutting premises and cold stores, to ensure that they comply with the regulations. Checks on imported beef carcasses received in licensed premises are made to ensure that SRM has been removed.

Vertebral column from imported beef carcasses is removed under MHS supervision in licensed premises, carcasses being held securely under seal pending processing. The plants concerned are specially licensed by the FSA to carry out this work.

Breaches of EU SRM controls in imported meat

EU legislation requires SRM to be removed from meat before it is exported from Member States. During 2002/2003, SRM was discovered by MHS staff in licensed plants in a number of consignments of beef and sheepmeat imported into the UK from other European countries.

The type of SRM identified in beef carcasses is generally spinal cord. There was one instance, in March 2003, of a finding of spleen (also classified as SRM) in a ewe carcass.

In addition, there were 20 examples of SRM being discovered in imported intervention beef, notably from Spain. 'Intervention' is an EC market support measure under which the EC buys beef when market prices fall below a certain level. When market prices recover, the EC releases the beef back onto the market. In all cases the animals were slaughtered when the EU legislation on removing SRM was very new.

BREACHES OF BSE CONTROLS

OTM = Over Thirty Month

| From the 1 April 2002 - 31 March 2003 | | | | |
|---------------------------------------|-----------|-----|----|-------|
| Country | SRM | | | Sheep |
| | Beef | | | |
| | Inter | OTM | | |
| France | 0 | 1 | 1 | 1 |
| Germany | 1 | 13 | 14 | 0 |
| Ireland | 3 | 0 | 4 | 0 |
| Spain | 0 | 20 | 21 | 0 |
| Total | 4 | 34 | 40 | 1 |
| Total SRM | 45 | | | |

In each case the CVO of the country concerned - and the European Commission - were immediately informed by the FSA of these breaches of EU law. Continued vigilance and, where necessary, enforcement action and the publicity it generates will hopefully eliminate breaches of the controls in meat plants throughout Europe.

Details of each SRM failure in imported meat are available on the FSA website at www.food.gov.uk/multimedia/webpage/riskmaterial_beefsheep

Domestic breaches of EU SRM controls

Regrettably there were four instances in 2002/03 when spinal cord – which is classified as SRM – was discovered in beef and sheep carcasses of British origin, after checks should have been made to ensure its removal. Three of the four were discovered by the MHS in sheep, within a few weeks of one another. Even though the spinal cord should have been removed at the plant of origin, MHS checks on incoming carcasses at the receiving plant ensured that the failures were dealt with, with no risk to public health.

Towards the end of 2002/03, it emerged that a number of cattle of Irish origin that had been slaughtered at abattoirs in the North of England had not had their vertebral column removed, as required under EU law. The risk to public health was assessed as being very low, but MHS staff were reminded about the rules applying to imported cattle that are subsequently fattened and slaughtered in Great Britain.

Over Thirty Month (OTM) Rule

With very few exceptions, meat derived from bovine animals over 30 months of age may not be sold for human consumption in the UK. The OTM Rule is a BSE protection measure which prevents older cattle from entering the food chain. It is currently being reviewed by the FSA, since the BSE epidemic in cattle is now in steep decline (**please see section on the OTM Rule in the section of this report headed "The Future"**).

The MHS has a vital role in ensuring compliance with the OTM Rule in licensed premises in England, Wales and Scotland. Checks by the MHS on the responsibilities of the owner of the animal and the plant operator extend to the examination of cattle passports, ear tags, and dentition status. During 2002/03, the MHS carried out a total of nearly 2.5 million such checks, in licensed plants producing meat for human consumption and in those dedicated to the Over Thirty Month Scheme (OTMS – please see section below) and therefore not producing for human consumption. The figures are detailed down in the table below:

| MHS REGION | NUMBER OF CATTLE PASSPORTS EXAMINED | |
|--------------------|---|---|
| | IN PLANTS PRODUCING FOR HUMAN CONSUMPTION | IN OVER THIRTY MONTH SCHEME (OTMS) PLANTS |
| North | 474,713 | 117,120 |
| Central | 383,000 | 120,967 |
| South & West | 388,375 | 169,644 |
| Wales | 149,213 | 55,813 |
| Scotland | 481,997 | 105,232 |
| TOTALS | 1,877,298 (A) | 568,776 (B) |
| GRAND TOTAL | 2,446,074 (A + B) | |

OTM checks continue to be maintained so that suspect animals are prevented from entering the food chain, particularly since no livestock can be removed from the slaughterhouse once delivered, under the Interim Movements Regime (England and Wales).

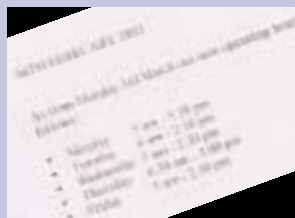
Over Thirty Month Scheme (OTMS)

The Over Thirty Month Scheme (OTMS) is run by the Rural Payments Agency (RPA), and is a market support measure introduced in 1996 following the BSE crisis. Bovines over 30 months of age go into the scheme, instead of going for human consumption. After slaughter in a licensed plant, they go for rendering and eventual incineration, or occasionally for direct incineration.

The MHS continues to provide supervisory, inspection and monitoring services on behalf of the RPA in the 18 slaughterhouses in Great Britain that process OTM bovines. This work produced an income in 2002/03 of around £6.7m for the MHS.

The Brain Stem Sampling (BSS) of selected Over Thirty Month cattle, which began in early 2002 to survey the prevalence of BSE in older cattle, continues in OTMS plants, where the MHS supervises the collection of brain stem samples by the plant operator.

Numbers of cattle sampled in OTMS plants are shown in the table below.



| MONTH AND YEAR | NUMBER OF CATTLE SAMPLED | OF WHICH, NUMBER OF POSITIVES |
|----------------|--------------------------|-------------------------------|
| April 2002 | 7,077 | - |
| May 2002 | 7,091 | 1 |
| June 2002 | 6,449 | - |
| July 2002 | 7,277 | - |
| August 2002 | 9,066 | - |
| September 2002 | 11,127 | 3 |
| October 2002 | 19,331 | 2 |
| November 2002 | 24,206 | 3 |
| December 2002 | 18,662 | 1 |
| January 2003 | 16,992 | 4 |
| February 2003 | 13,996 | 1 |
| March 2003 | 15,790 | 2 |
| TOTAL | 157,064 | 17 |

EXPORTS

Meat being transported from GB to another EU Member State is accompanied by an invoice or delivery note, but if fresh meat is intended for consignment to an EU Member State after being transported through a Third Country, it will require a health certificate under the relevant regulations. If it is going to non-EU Member States, certification will be required by the receiving country. The certification is signed by an OVS, in his or her capacity as a local veterinary inspector, on behalf of the Chief Veterinary Officer (CVO).

DATE-BASED EXPORT SCHEME (DBES)

The DBES is a Defra scheme, under which beef may be exported from the UK under stringent conditions and with full traceability. Only one licensed plant in GB exported beef under the DBES during 2002/03.

Working in a plant producing meat for export under the scheme has training and operational implications for MHS staff. The scheme requires additional checks to be made using IT systems linked to the British Cattle Movement Service (BCMS). Information on cattle passports and eartags has to be carefully reconciled to ensure that the animal concerned is eligible for the DBES.

REPORTING ANIMAL DISEASES

MHS staff record the occurrence of diseases and conditions in animals and carcasses examined during ante- and post-mortem inspection, and provide a weekly report to their MHS regional office for entry onto a central database. By this means the MHS holds data on disease and conditions found dating back to the inception of the Meat Hygiene Service in 1995.

Meat inspection is primarily aimed at protecting public health, and detecting diseases and conditions in animals that may have implications for public health. But data on animal

health is regularly provided by the MHS to Government Departments and external agencies. This ensures that they can monitor disease levels, and spot any emerging trends, as well as confirming that no instances of certain diseases or conditions have been recorded that would affect the UK's disease-free status.

No significant increases in trends of any particular diseases were recorded in 2002/03, although cases of tuberculosis in adult cattle rose during the period from September to November 2002, as shown in the table below:

| MONTH/YEAR | THROUGHPUT OF ADULT CATTLE | OF WHICH, CASES OF TB |
|----------------|----------------------------|-----------------------|
| April 2002 | 139,987 | 175 |
| May 2002 | 135,524 | 187 |
| June 2002 | 161,521 | 185 |
| July 2002 | 134,412 | 145 |
| August 2002 | 131,662 | 152 |
| September 2002 | 163,549 | 335 |
| October 2002 | 145,635 | 576 |
| November 2002 | 149,366 | 823 |
| December 2002 | 171,945 | 144 |
| January 2003 | 132,906 | 212 |
| February 2003 | 138,552 | 227 |
| March 2003 | 173,761 | 243 |

Any suspect notifiable disease is immediately reported to the Divisional Veterinary Manager (DVM) of Defra for further investigation.

CUSTOMERS AND STAKEHOLDERS

The MHS continued, throughout 2002/2003, to make meat inspection services available – given the requisite periods of notice - to all who need them, on demand, 24 hours a day, seven days a week, 365 days a year.

MANAGING OUR SERVICE LEVEL AGREEMENTS

The MHS is the only Government body that is officially present in licensed fresh meat premises and has access to animals and birds at the point of slaughter. It is, therefore, uniquely placed to facilitate testing and surveillance on behalf of other Government departments and agencies. It conducts this work under formal Service Level Agreements (SLAs) with the customers for its services.

In October 2002, Colin Pearson took up a new post as SLA Manager responsible for the newly-created SLA Unit within the Veterinary and Technical Directorate. This Unit was tasked with centralising the management of SLAs, primarily with Government customers such as the FSA, Defra, and the RPA.



The new unit of five staff (most of whom were recruited from outside the MHS) was established in summer 2002 as part of the 'Moving Ahead' programme. It replaced the previous arrangements, under which management of SLAs with Government customers was undertaken by staff in the MHS Regional Offices in Edinburgh (in the case of the SLA with FSA), Cardiff (SLA with Defra), and Taunton (SLA with the RPA). Centralisation from the regions was completed during February 2003 and, as part of the overall change, was largely resource neutral.

The move to a centralised and more streamlined approach to SLA management has brought significant benefits to the MHS already. Key achievements to date include:

- An increase in the role the MHS plays in FSA, Defra and RPA activities for which the MHS is the key delivery partner.
- Identification of changes in practice to enhance communication, deliver greater efficiency, and drive cost reduction into the MHS.
- More direct and active management of national surveillance programmes including testing for TSEs in sheep, BSE in cattle, and veterinary medicine residues in meat, so helping to ensure the Government meets EU targets.
- Increased levels of management reporting on SLA performance, helping management to react quickly to changes.

During 2002/03, the MHS successfully collected more than 30,000 samples from red meat, white meat and game plants for the Veterinary Medicines Directorate. These samples are of blood, urine, or specific organs and they are tested for traces of residues of veterinary medicines.

Additionally almost 60,000 samples of sheep brainstems and heads were taken by MHS staff, on behalf of Defra, to be tested for the prevalence of scrapie or TSEs. This work started in June 2002. By the end of March 2003, the number of samples taken was only 9,000 short of the Defra target for a full year, representing a considerable achievement by MHS operational staff.

Figures for BSE testing of cattle were as follows:

| CATEGORY OF CATTLE | NUMBERS TESTED | OF WHICH, NUMBER OF POSITIVES |
|---|----------------|-------------------------------|
| Animals registered under the Beef Assurance Scheme* | 218 | - |
| Casualty cattle aged between 24 and 30 months** | 1,127 | - |
| Over Thirty Month (OTM) cattle | 156,994 | 17 |

*Animals registered under the Beef Assurance Scheme are from specialist beef herds which have always been considered to be at very low risk of BSE because of their feeding regime.

** Casualty cattle are those found at ante-mortem inspection to show signs of disease, injury or abnormality; and those already certificated as casualty animals on arrival at the slaughterhouse

FOOD AND VETERINARY OFFICE (FVO) MISSIONS

The Food and Veterinary Office (FVO) of the European Commission undertook two missions in 2002/03 to the UK, which had implications for the MHS. The purpose of these missions is to audit the transposition of EU legislation into national legislation, and the implementation of EU legislation by the competent authorities of each Member State. The scope of each mission is agreed by the EC, and the FVO visits all EU member states. The FVO also carries out inspections in countries outside the EC and grants EC import approval for meat plants from these third countries.

The mission in May 2002 concerned TSE surveillance and testing, SRM controls, and the Date Based Export Scheme (DBES). Visits were made to five red meat slaughterhouses in England and Wales. A second mission was held in September 2002, and this examined beef labelling and traceability. Visits were made to four slaughterhouses, and three cutting and mincemeat plants in England, Scotland and Wales.

The May mission identified a small number of minor non-compliances, which were rectified. The September mission found that arrangements for beef traceability were generally satisfactory, although there were a number of non-compliances regarding beef labelling, which is the responsibility of Defra.

Full details of the reports on the missions, and the UK's response to them, can be found on the EC FVO website at: http://www.europa.eu.int/comm/food/fs/inspections/vi/reports/index_en.html

CUSTOMER SATISFACTION SURVEY

Five years ago, the MHS embarked on a Customer Satisfaction Survey randomly selecting, at six-monthly intervals, 10 per cent of our customer base for feedback on a wide range of service delivery issues. The results are used to inform management decisions on areas for improvement in service delivery.

The ninth random sample in the series was surveyed in the period October 2002 to April 2003. Of the 297 premises contacted, 169 questionnaires were returned, either partly or fully completed.

The survey sought plant operators' views on:

- MHS employees on their premises
- MHS staffing levels in their plant
- Quality of service received from the MHS
- Frequency and quality of contact from MHS staff
- Consultation and information on charging
- Licensing or warranting of plant operatives

The full results are available from MHS headquarters, York. A selection of results appears in the table below:

Overall, the results of the surveys carried out to date indicate a high level of satisfaction with the service provided to licensed premises by the MHS. However, the varying number of respondents to the surveys makes it difficult to draw meaningful comparisons between years. In particular, where low numbers of responses to particular questions have been received, a dip in satisfaction levels may actually reflect negative responses from only one or two plant owners.

Work is underway to extend the scope of future surveys to include a wider selection of MHS customers (including Government Departments), to improve the level of detail of responses received, and to make the results more suitable for analysis. Additionally, staff roles are changing through the 'Moving Ahead' programme of organisational change. The survey will in future be designed with professional assistance, with a view to helping the MHS to gain a broader picture of its performance, and giving further details of areas in which performance can be improved.

SERVICE FIRST

The MHS continues to strive to provide a quality service to all its customers and stakeholders. As part of this commitment we adhere to Government 'Service First' standards. For the MHS, these are:

- to answer correspondence within 20 working days
- to meet visitors within 10 minutes of any appointment
- to answer telephone calls within 30 seconds
- to provide clear and straightforward information about our services, telephone enquiry numbers, and an e-mail enquiry address
- to provide a complaints procedure for the services we offer
- to make our services available to everyone

During 2002/03, 2,592 items of correspondence were received at MHS headquarters and in the five regional offices. Of this number, 96 per cent was responded to within 20 working days. There were no reports of visitors waiting 10 minutes or longer for an appointment, and regular spot checks consistently indicated that all telephone calls were answered within 30 seconds.

Information on MHS services is available on the MHS section of the FSA website. We also provide a general telephone enquiry line (01904 455501) and e-mail (enquire@foodstandards.gsi.gov.uk) service. Between June 2002 and the end of March 2003 we received 101 enquiries via the general enquiry e-mail address.

During 2002/03 the MHS produced a new leaflet, entitled 'How to complain or make comments about our service', setting out clear guidance on our complaints procedures. Two of the main features are:

| QUESTION ASKED | %AGE RESPONDING FAVOURABLY (Oct 2002 – Apr 2003) | %AGE RESPONDING FAVOURABLY (April 2002 - Oct 2002) |
|--|--|--|
| Does your OVS carry out his/her duties competently? | 98.1% | 97.4% |
| Are you satisfied with the service provided by your Meat Hygiene Inspector? | 95.7% | 100% |
| Opinions regarding levels of staffing of Meat Technicians | 82.0% | 81.8% |
| Do you think the MHS Operations Manual ensures a consistent quality of service delivery? | 89.7% | 82.9% |
| Do you think the MHS delivers on its customer service commitment to you? | 91.7% | 86.1% |
| Are you satisfied with the way the MHS consults you on its charging policy? | 88.3% | 89.5% |
| Do you think MHS charges invoices are accurate? | 94.3% | 92.1% |
| Do you think the MHS invoice is clear and gives enough detail? | 88.1% | 81.6% |

Source: MHS Customer Satisfaction Surveys

- An undertaking to deal with complaints within ten working days, and to take action without delay to prevent a recurrence.
- A three-stage referral process under which complaints about MHS decisions can be pursued sequentially through MHS Regional Directors, the MHS Chief Executive, and ultimately through the FSA. To arrange for an independent assessor to investigate and make recommendations to the FSA Chairman.

There are separate mechanisms for dealing with complaints about HAS scores, invoice charges, the issuing of enforcement notices, and decisions on plant licensing.

PARLIAMENTARY BUSINESS

Parliamentary and devolved national assembly business involving the MHS remained fairly constant in 2002/03, compared with 2001/02.

Much Parliamentary business consists of offering verbal or written contributions to drafts of replies to PQs asked of Government Departments, notably the FSA (through the Department of Health) and Defra.

During 2002/03, a full response (or a contribution to a full response) was offered for thirteen PQs. In addition, a full response (or a contribution to a full response) was offered for three items of correspondence to Ministers.

The MHS Chief Executive corresponded direct with a total of twenty-two members of the Westminster Parliament, the Scottish Parliament, and the National Assembly for Wales on a range of MHS operational matters.

MHS INDUSTRY FORUM

The MHS Industry Forum has continued to provide an important arena for representatives of the meat industry to

discuss operational and finance matters with the MHS. The Industry Forum met six times in 2002/2003. Meetings are now scheduled to take place four times a year, alternating between London and York.

Key issues discussed by the Industry Forum in 2002/2003 included:

- The 'Moving Ahead' programme of organisational change within the MHS
- The MHS Business Plan for 2002/2003
- Possible future EU charging arrangements
- The MHAC Poorly Performing Plants Initiative
- Relations with MHAC

QUALITY OF SERVICE DELIVERY

PERFORMANCE AGAINST TARGETS

PERFORMANCE AGAINST TARGETS, 2002/03

Performance targets for the MHS have been set annually since 1996/97. They build incrementally on what has been achieved in previous years, and set a challenging agenda for the year ahead. The targets for 2002/03 were the subject of a full public consultation process, and were then agreed by the FSA Board.

The targets as a whole are assessed by the FSA, and the method of assessment of those targets subject to audit by the VMHAs of the FSA is based on the number of critical or major non-compliances (NCs).

An assessment, by the FSA, of the MHS's performance against targets for 2002/03 was presented to MHAC at its meeting in June 2003. The means of assessing, and the assessment of performance under each target, were as follows:

TARGET: To fully apply the MHS Clean Livestock Policy (CLP).

MEANS OF ASSESSING: By FSA audit of MHS compliance with Operations Manual requirements. The target would be failed by a single critical NC, or more than five major NCs per 100 audit visits to sheep/cattle slaughterhouses.

ASSESSMENT: FSA Veterinary Meat Hygiene Advisers (VMHAs) found no critical or major NCs during 43 audit visits

ACHIEVED: ✓

TARGET: To strictly enforce the hygiene requirements of the fresh meat, poultry meat, and wild game meat hygiene and inspection regulations.

MEANS OF ASSESSING: By FSA audit of MHS compliance with Operations Manual requirements. The target would be failed by a single critical NC, or more than eight major NCs per 100 audit visits.

ASSESSMENT: VMHAs found no critical NCs, but 17 major NCs, during 159 audit visits (including 24 reaudits). This amounted to 10.7 per 100 visits.

ACHIEVED: X

TARGET: To secure improvement in MHS enforcement in poorly performing plants.

MEANS OF ASSESSING: MHS to report by 31 March 2003 on measures taken on each element of the action plan on poorly performing plants and, for each plant, to report on the enforcement action taken, improvements secured, or licence suspension/revocation recommendations made to the licensing authorities.

ASSESSMENT: A total of 31 plants were identified as poorly performing (compared to 106 plants in 2001/02). Revocation procedures are in progress in two plants, and being considered in a further two. One plant had its licence suspended and later restored. One plant had its licence revoked and later restored. Four plants have been recommended for prosecution. Two plants are undergoing prosecution. Strong enforcement action is underway in the remainder. Twelve plants showed improved HAS scores.

ACHIEVED: ✓

TARGET: To take appropriate action to enforce the requirements of new EU rules on HACCP and microbiological testing in licensed meat plants.

MEANS OF ASSESSING: MHS to report three months after implementation date on the number of plants complying with the legislation, and on enforcement action taken in non-complying plants. Further reports to be produced by 31 December 2002 and 31 March 2003.

ASSESSMENT: Of the 173 plants obliged to comply with HACCP Regulations by 7 June 2002, 146 have fully implemented HACCP and 27 have yet to do so. Enforcement action has been taken in all but six of those plants. In those six plants, action is pending either because HACCP implementation is very close following operator action, or because the operator has appealed.

ACHIEVED: ✓

TARGET: To strictly enforce the SRM controls in licensed plants.

MEANS OF ASSESSING: By FSA audit of MHS compliance with Operations Manual requirements. Revised audit arrangements for SRM are being developed. It is envisaged that the target will be failed by a single critical NC or more than five major NCs per 100 audit visits.

ASSESSMENT: VMHAs found no critical or major NCs during 44 audit visits.

ACHIEVED: ✓

TARGET: To strictly enforce the OTM rule in licensed plants.

MEANS OF ASSESSING: The target would be failed if any OTM animal was found to have been health-marked in contravention of the legislation.

ASSESSMENT: VMHAs found no critical or major NCs during 41 audit visits,

ACHIEVED: ✓

TARGET: To strictly enforce the Welfare of Animals (Slaughter or Killing) Regulations.

MEANS OF ASSESSING: VMHA audit of compliance with MHS Operations Manual requirements. This target would be failed by a single critical NC, or more than five major NCs per 100 visits.

ASSESSMENT: VMHAs found no critical NCs and one major NC during 63 audit visits. This amounted to 0.2 major NCs per 100 visits.

ACHIEVED: ✓

TARGET: To develop and implement a corporate training strategy for 2002/2003.

MEANS OF ASSESSING: On the basis of a satisfactory report against the strategy covering training activities in the previous 12 months. The strategy should in particular reflect the introduction of HACCP and microbiological testing in 2002, and possible modernisation of meat inspection in later years.

ASSESSMENT: The MHS developed and implemented a training strategy which focused on operational issues, and included pre-qualification training, continuing professional development, dual qualification in red and white meat, presentation skills, OVS designation, induction, conflict resolution, health and safety, management, diversity, and external study opportunities.

ACHIEVED: ✓

TARGET: To develop a diversity action plan for MHS staff.

MEANS OF ASSESSING: MHS to present action plan to MHAC by June 2002, which should take account of the Modernising Government/Civil Service reform initiatives and the Race Relations (Amendment) Act. A report on progress against the action plan to be produced by 31 March 2003.

ASSESSMENT: The MHS developed a diversity action plan concentrating on under-representation of ethnic minorities, individuals with disabilities, and females; and recognizing, valuing and developing employees' contribution to organisational success.

ACHIEVED: ✓

TARGET: To deliver an improvement in customer satisfaction with the work of the MHS.

MEANS OF ASSESSING: A satisfactory report to be produced by the MHS by 31 March 2003, setting out the results of customer surveys it has conducted and, in particular, information on the levels of customer satisfaction in 2002/03 compared with previous years.

ASSESSMENT: In general, customer satisfaction with the work of the MHS has increased since 1998/99. However, satisfaction levels for 2002/03 were slightly lower than those for 2001/02 for all activity subject to the survey. But the varying level of respondents to the surveys makes year-on-year comparison and a meaningful assessment very difficult.

ACHIEVED: ✓

TARGET: To operate within the agreed MHS resource budgets for 2002/2003.

MEANS OF ASSESSING: By FSA Finance Division, on the basis of audit reports by the National Audit Office on the MHS accounts.

ASSESSMENT: The Director of the Enforcement and Food Standards Group authorised the MHS to spend up to £2 million above the delegated budget on completion of the formal 3rd quarter monitoring exercise in March 2003. However, the judgement of the FSA was that the requirements placed on the MHS had not changed materially since the original budget was set, and therefore there were insufficient grounds to revise the original budget. On that basis, the target was not met.

ACHIEVED: ✗

TARGET: To operate within the total net cash management figure agreed with the FSA.

MEANS OF ASSESSING: By the FSA Finance Division, based on the actual net cash position at 31 March 2003, compared with the forecast following the end of the third quarter of the financial year 2002/03.

ASSESSMENT: Achieved.

ACHIEVED: ✓

TARGET: To implement, within agreed timescales, a pilot project involving increased direct employment of veterinarians.

MEANS OF ASSESSING: MHS to provide quarterly progress reports to MHAC.

ASSESSMENT: The pilot project covered two MHS regions – South & West, and Wales – and resulted in an increase in direct employment of Official Veterinarians from 14 to 34. Of the application packs sent out, 64 per cent resulted in applications for posts, 95 per cent of which passed essential sift criteria. Of those interviewed, 83 per cent were identified as suitable for employment, resulting in 20 new appointments. Overall, more robust enforcement seems to be one result of increased numbers of directly employed veterinarians, although at an additional cost.

ACHIEVED: ✓

Non-compliances – which do not necessarily indicate contravention of a legal requirement, or the existence of a public health or animal welfare problem - fall into three categories:

Critical – any NC which causes an immediate, serious risk to public health or animal welfare, requiring immediate corrective action by MHS.

Major – any NC which may have significant implications for public health or animal welfare and which constitutes a clear breach of working instructions or an unequivocal failure to fulfil a statutory duty.

Standard – any NC which is not critical or major.

PERFORMANCE TARGETS IN EARLIER YEARS

Performance targets for the previous two years 2000/2001 and 2001/2002 – are shown in the table below. A tick denotes a target that was achieved, and a cross denotes a target that was not achieved.

| 2000/2001 | 2001/2002 |
|--|--|
| Strictly enforce SRM controls in abattoirs X | Strictly enforce the SRM controls in licensed plants ✓ |
| Provide update training for all POVSS and lead OVSS in enforcement (course to be developed in liaison with FSA Legal). Provide update training for 33 per cent of lead OVSS in animal welfare at slaughter (course to be developed in liaison with AWD). Provide refresher training for 33 per cent of lead OVSS in hygiene requirements (course to be developed in liaison with VPHU). All training to be completed by 31 March 2001, and to comply with liP (Investors in People) standards. ✓ | Provide update training for all POVSS and lead OVSS in HACCP (course to be developed in liaison with FSA), and in animal welfare (course to be developed in liaison with MAFF's Animal Welfare Division); and to ensure that all training is delivered by 31 March 2002 and is in accordance with agreed best practice liP requirements (including the presentation of reports on the evaluation of the effectiveness of the training, with a view to continuous improvement) ✓ |
| Fully apply MHS Clean Livestock Policy (CLP) ✓ | Fully apply the MHS Clean Livestock Policy (CLP) ✓ |
| Not to apply the health mark stamp to any meat showing visible faecal or alimentary tract contents contamination ✓ | Not to apply the health mark to any meat showing visible faecal or alimentary tract contents contamination ✓ |
| Strictly enforce the Welfare of Animals (Slaughter or Killing) Regulations 1995 ✓ | Strictly enforce the Welfare of Animals (Slaughter or Killing) Regulations ✓ |
| To take effective action in slaughterhouses with low HAS scores, to improve hygiene standards ✓ | Take effective action in slaughterhouses with low HAS scores, to improve hygiene standards ✓ |
| Introduce an independent element to MHS Appeals Procedure Sign up to Government Enforcement Concordat To meet the FSA targets for consumer service | Meet the FSA targets for customer service ✓ |
| Maintain full compliance with Charter Mark standards ✓ | Maintain full compliance with Charter Mark standards ✓ |
| To implement those recommendations in the Pooley Report applicable to the MHS and accepted by the FSA for implementation in 2000/2001 To implement those recommendations in the external efficiency review accepted, and within the timetable laid down, by the FSA Board ✓ | Implement the accepted recommendations of the Deloitte & Touche review of MHS efficiency within the timescales agreed by the Meat Hygiene Advisory Committee ✓ |

To operate within the cash allocations as agreed with the FSA
✓

Operate within the total net cash management figure agreed with the FSA
✓

To recover from Government departments, agencies, and the IBEA the full economic cost (calculated in accordance with the relevant charging legislation and accruals accounting) of providing agreed services or other work undertaken on their behalf
✓

Take action within three months to address key operational findings by FVO missions relating to MHS management, supervision, or enforcement
✓

Strictly enforce the OTM rule in licensed plants
✓

Operate within the agreed MHS resource budgets for 2001/2002
✓

PERFORMANCE TARGETS FOR 2003/2004

MHS performance targets for 2003/04 were agreed by the FSA Board at its meeting on 13 March 2003, after a period of public consultation. The focus of the targets continues to be on food safety, food law enforcement, animal welfare, diversity of MHS staff, and efficiency.

A number of targets have been rolled forward from 2002/03 to enable year-on-year comparison. Two new targets focus on enforcement of animal by-products legislation, and access to IT for plant-based staff. For the first time, the targets are explicitly linked to relevant FSA strategic objectives, as published in the FSA Strategic Plan 2001-2006, "Putting Consumers First".

Assessment of MHS performance against its targets will, once again, be through independent audit by FSA or through reports from the MHS. Performance will be reported on regularly throughout the year, with final assessment after the year-end. As before, there is zero tolerance of critical non-compliances (that is, those which cause immediate, serious risk to public health, require immediate corrective action by the MHS, or - in the context of animal welfare - permit an animal to sustain avoidable excitement, pain or suffering).

The full table of MHS performance targets for 2003/04, setting out the FSA strategic objective, target, assessment, and consumer benefit, can be viewed on the FSA website at www.food.gov.uk

PERFORMANCE TARGETS FOR 2004/2005 AND BEYOND

The FSA Board has agreed that for 2004/05 and beyond, a new approach to target-setting and assessment should be

developed, based on intended outcomes rather than processes, and assessed through a combination of external audit and MHS management procedures. This approach is intended to build on positive development and improvement, acknowledge MHS successes as well as failures, and present a fuller picture of MHS activity.

MHS and FSA officials are working together to propose detailed new-style targets to MHAC in September 2003. Subject to MHAC's agreement, a 12-week consultation exercise on the proposed targets will follow. In February 2004, MHAC will be asked to advise on final proposals following consultation, before the agreement of the FSA Board is sought in March 2004. The new targets will be announced and published on the FSA website by April 2004.

FSA AUDIT OF THE MHS

External audit of MHS performance in plants is carried out by Veterinary Meat Hygiene Advisers (VMHAs) of the Veterinary Public Health Operations Division (VPHOD) of the FSA.

The purpose of the audit is to determine whether MHS operations, practices and activities in licensed meat premises comply with the requirements as specified in the MHS Operations Manual.

In December 2002, the FSA published a report on its audit of the MHS for the year 2001/02. The total number of non-compliances found in 151 audits is detailed below. In summary, the report identified good MHS performance in the enforcement of SRM requirements, the OTM Rule for cattle, application of the Clean Livestock Policy, Ante-Mortem Inspection and Notifiable Disease Procedures.

Improvements in MHS performance were noted in the areas

of Staff Authorisations and Animal Welfare, but the FSA identified the following key areas for further improvement - Enforcement of Hygiene Controls and Structural Requirements for Premises, Monitoring Operators' Own Checks, Enforcement of Animal By-Products Legislation, HAS score determination, and corrective action on reported non-compliances.

The MHS is taking steps to deal with these issues. Specific action taken includes:

- The setting up of an internal verification and audit team, as part of the Moving Ahead programme;
- An increase in the time dedicated on OVS designation courses to enforcement training;
- The introduction of the Veterinary and Technical Support Unit which includes two veterinary advisers, a technical adviser and an enforcement adviser, also as part of Moving Ahead.

In its re-tendering exercise for contract OVS services throughout GB, the MHS has also sought to match OVSs with appropriate skills and experience to plants with differing levels of complexity, to improve the service provided by the contractors.

The MHS did not accept one FSA recommendation on the enforcement of the mincemeat, meat preparations and meat products legislation in co-located premises. The MHS is working with the FSA to clarify the level of supervision in these premises.

FSA AUDIT VISITS

| | 2000/2001 | 2001/2002 |
|---------------------------------|-----------|-----------|
| No. of audit visits | 150 | 151 |
| No. of critical non-compliances | 0 | 0 |
| No. of major non-compliances | 26 | 41 |
| No. of standard non-compliances | 265 | 288 |
| No non-compliances reported | 49 | 49 |

BUSINESS PLANNING

In autumn 2002, work started on a business plan for the MHS for the financial year 2003/04. Kevin Goddard, Head of Business Development; Mike Greaves, Project Director - Corporate Planning (now Director of Operations), and Richard Hoskin, Business Manager, led the business planning process which further developed that used for 2002/03 and was more inclusive, broader-based, more detailed, and better integrated with that of the FSA.

The process included seven facilitated self-assessment workshops against the EFQM (European Foundation for Quality Management) Excellence Model, and eight business planning workshops, each with a wide range of staff. In total some 250 – 300 staff were involved who welcomed the opportunity to

contribute to the MHS Business Plan.

The completed plan was issued in July to all MHS managers and key external stakeholders including MHS Industry Forum members, FSA officials, members of MHAC, and organisations representing MHS staff. In addition a leaflet summarising the key messages was issued to all staff. The business plan is used to drive the agendas for meetings of the MHS Management Group.

The process will be further developed for production of the 2004/05 business plan. Individual directors will lead on producing detailed directorate business plans, on which the corporate business plan will be based.

ORGANISATIONAL DEVELOPMENT

During the year, organisational development has focused on the three major projects initiated in response to the Deloitte and Touche Efficiency Scrutiny Report of the MHS, published in 2001. Ivor Pumfrey continued to lead this work in his role as Project Director (Organisational Development).

'Moving Ahead' – organisational change within the MHS

A business case for organisational change was agreed in early 2002. This addressed deficiencies identified in the Efficiency Review of MHS in 2001. The programme of changes, branded Moving Ahead, was launched on 17 April 2002 to both MHS staff and stakeholders.

The Moving Ahead programme set out a new organisational structure, underpinned by the cultural changes introduced by the Chief Executive in 2001. The new structure is centred on the mission of the MHS, to provide effective protection of public health, with a single line of operational management supported by independent internal verification, technical expertise, and corporate services.

Following the launch of Moving Ahead, there was an extensive period of feedback and consultation with staff and stakeholders. This involved a number of meetings where the proposals were discussed openly and frankly as well as inviting written contributions. This enabled not only concerns to be debated and addressed but also positive suggestions to be identified and incorporated into the programme. This participative feedback process was seen as fundamental to gaining understanding of, and support for, the change programme, reinforcing the value placed on the involvement of our staff and stakeholders.

Phase One of the Moving Ahead programme started shortly after the conclusion of consultation. Its scope was the creation of the Veterinary and Technical Directorate and Business Development Unit, coupled with further detailed development work necessary to implement the Operations Directorate.

As many affected staff as possible were transferred from

their existing roles into posts in the new structure. Where this was not possible, positions were filled from internal trawls in the first instance, before recruiting by open competition. This approach not only minimised disruption during the transition but, more importantly, capitalised on available skills within the existing workforce.

The Veterinary and Technical Directorate and Business Development Unit became fully operational during 2002, delivering from their inception many of the planned benefits.

In response to the consultation process a number of Moving Ahead Implementation Groups were established to develop in detail how roles in the new operational structure would best operate. Comprising more than 50 staff volunteers drawn from across the MHS as well as representatives from the AMI, the groups worked under an overall co-ordinating group and produced a series of reports, many of which were agreed by the MHS Management Group in October 2002. The recommendations of these reports formed the basis of subsequent phases of the programme.

Phase 2 of the Moving Ahead programme was launched at the National Management Conference in November 2002. This phase, spanning from Autumn 2002 to the end of the following operational year focuses on establishing the new Operations Directorate, ceasing the roles of Principal Official Veterinary Surgeon and Area Resource Manager, introducing the key new posts of Area Manager and Regional Veterinary Adviser, and enhancing the SMHI role.

Setting up the Operations Directorate is a particularly challenging, complex and sensitive process due to the need to ensure the continued effective delivery of MHS services through the transition. To achieve this, an incremental approach has been adopted involving a move to the new operational structure in two main stages. Scotland, Wales and North Regions moved to the new operational structure from 1 April 2003, with the remaining regions scheduled to follow from April 2004.

As with establishing the Veterinary and Technical Directorate, posts in the Operations Directorate were filled by way of internal trawl in the first instance. In the three Regions, nine Area Resource Managers were successful in gaining Area Manager roles and all remaining Principal Official Veterinary Surgeons transferred to become Regional Veterinary Advisers.

A comprehensive review of Senior Meat Hygiene Inspector spans of control, was completed applying the criteria developed by a Moving Ahead Implementation Group.

One of the principles of Moving Ahead is delegation of responsibility and empowerment of the workforce. A key element of this is devolution of the human resource management function. In the early part of 2003, work began to identify the scope for devolution of HR functions and to

plan how these changes will be managed. Following the success of the Moving Ahead Implementation Groups in defining the detail of the transition to the Operations Directorate, a similar group was established to define and develop future HR functional arrangements.

Throughout the year Moving Ahead has been supported by extensive communications and training programmes. These have ensured that staff fully understand the aims and objectives of organisational changes and how the new arrangements will operate and have the necessary skills to deliver their new roles effectively.

IT Deployment to Meat Plants Project

In September 2001, a business case was agreed for the deployment of an IT infrastructure to the plant-based operational workforce to provide an electronic Operations Manual and forms, e-mail, and a corporate intranet. These became the three core initiatives of the MHS IS/IT Strategy adopted in early 2002 to lay the foundation for delivering a future MHS IT vision of an environment facilitating:

- Efficient, effective and flexible working
- Appropriate levels of internal and external knowledge-sharing
- Effective collaboration with stakeholders

Funding to implement the business case was made available through Spending Review 2002 with a capital provision of £2 million being allocated to MHS for 2003/04. No additional provision was made for running costs as it is anticipated that the project will eventually deliver sufficient savings to offset its running costs.

A project manager was appointed in September 2002 following which the detailed scope of a project to implement the business case was developed and agreed. The IT Deployment to Meat Plants Project was subsequently formally initiated by the Project Board, to run in three stages operating to PRINCE 2 project management methodology.

The first stage of the project centred on a procurement exercise to identify a supplier capable of providing hardware, software, network infrastructure and user support. Following specialist procurement advice, it was agreed to source a supplier using the appropriate Government procurement catalogue.

Invitations to tender were issued to a number of potential suppliers in November 2002. Four responses were received and these were then assessed by an evaluation panel in early December 2002. The two companies whose bids were assessed as offering the best quality and value for money were subsequently invited into negotiations which took place during January and February 2003 before an invitation for best and final offer.



The best and final offers were considered by the evaluation panel in March 2003 ultimately leading to the selection of PC World Business as the preferred supplier.

The technology proposed in the business case was piloted at a number of plants in the Wales and Central Regions during 2002. This identified a number shortcomings associated with the original concept of deploying software on local PCs and lap-tops with periodic updates delivered via e-mail.

Despite extensive development work these problems could not be overcome sufficiently to work satisfactorily on the proposed dial-up basis. After careful consideration and re-evaluation, the technological approach was changed to an on-line working environment, capable of providing access to Operations Manuals and other information guaranteed to be up to date.

As part of facilitating the above changes, development of the MHS intranet was accelerated. MHSWeb was developed in Autumn 2002 and launched to all MHS users. This provided on-line access to the MHS Operations Manual through library management software as well other key corporate resources such as MHS News.

Following the appointment of Jenny Sergeant as IT Director in January 2003, a further review of the MHS IT strategy was initiated. This identified further benefits to be gained from developing the pilot intranet into a full internet portal.

It was agreed in Spring 2003 to implement a comprehensive content management system and internet portal to provide all MHS users and stakeholders with a single point of access to all MHS resources and systems. This development work is scheduled to integrate with the proof of concept to be undertaken by the preferred hardware supplier.

Training of new users will be a major part of the project to deploy IT to plants. Much work has been undertaken to identify training needs and how these can be met flexibly and cost effectively. The pilot exercise has shown that a range of skills exists in the workforce and these will be harnessed to the fullest extent possible in roll out during 2002/03.

The beneficial impact of providing access to the MHS IT infrastructure to all operational personnel, including contract OVSs and wider stakeholders, is extremely substantial and has been readily grasped by many. This has been supplemented by communication programmes including presentations at the National Management Conference and to the Industry Forum as well as articles in MHS News.

Employed OVS Project

The Efficiency Scrutiny of the MHS recommended that significant cost savings could be achieved through increasing the proportion of directly employed OVSs. In response to this, the Employed OVS Project was initiated in March 2002 to

examine and assess the benefits, in both service quality and value for money, of increasing the proportion of directly employed OVSs.

A project team was set up to undertake the work, led by Geraint Jones, Acting ARM as Project Manager. Team membership reflected expertise from both the Human Resources Department and operational staff in the regions.

The project was managed using PRINCE 2 project management methodology and divided into a number of key phases reflecting the need to review employed OVS recruitment, induction and training arrangements before recruiting and deploying personnel. These initial stages were identified as essential to ensuring the success and validity of the actual pilot deployment of teams of employed OVSs.

The recruitment phase of the project reviewed not only the promotional and recruitment material but also the terms and conditions to be offered to prospective applicants. This included a review of the prevailing MHS terms and conditions against our main competitors for veterinary employment which resulted in the needs to improve both the salary range and other terms.

A single recruitment exercise was run in late Spring 2002 which was highly successful attracting both a higher response rate and better quality candidates than comparable previous OVS recruitment exercises. This led to the deployment of two teams of employed OVS, one starting in August in the South and West Region and the other in October in the Wales Region.

To ensure effective performance of the newly employed OVSs, existing OVS induction and initial training arrangements were comprehensively reviewed. All recruits received an initial six-week induction and training period before being deployed to operational duties. During this period new employed OVS became fully familiar with MHS operational requirements as well as being trained in key areas such as management and enforcement. This addressed previously highlighted shortcomings in employed OVS induction and training.

The two teams were deployed into South Wales and Somerset/ Devon to work in groups of plants chosen to reflect the range of work carried out by MHS and enable meaningful assessment of the logistics arising from large scale employment of OVSs. Initial deployment arrangements were revised during the life of the project to improve the balance between productive and non-productive time.

The project was completed on schedule at the end of the year with a comprehensive evaluation report. This drew a number of conclusions related to the key aims of the project and made recommendations for the future recruitment, training and deployment of OVSs.

Overall it was established that the MHS can recruit numbers

of high quality public health veterinarians and deploy these effectively to meet operational requirements, demonstrating some service quality gains. The cost savings projected by Deloitte and Touche in their Efficiency Scrutiny were not achievable, largely as a result of the need to provide terms and conditions of employment competitive with other potential employers of veterinary staff. The costs of employed OVSs were assessed as being broadly comparable to contract arrangements.

OUR STAFF

The MHS values its staff. They are its most valuable resource, and without them the MHS would simply not be able to operate. It is essential that the MHS has a fully-trained workforce with the skills and experience for the job it has to do, and one which is motivated and properly managed. An important element of the cultural change is removal of the blame/disciplinary approach, and its replacement with an open and trusting environment where learning is an essential part of continuous improvement.

TRAINING AND DEVELOPMENT

Training and Development Strategy

The MHS Training and Development Strategy aims to ensure that our staff are fully trained and equipped with the skills and expertise they need for the job they are doing, aligned with the organisation's strategic objectives. The MHS recruits and trains new operational staff and, where possible, anticipates staff turnover through effective manpower planning to minimise the risk of service delivery failure.

MHS staff need to be motivated and flexible, and able to cope with emergency situations and continuing change. We are moving to a culture of increased empowerment of staff at all levels, so that they are confident and competent to take ownership of - and deliver - key business outcomes at the point of service delivery.

There is fair access to training opportunities, in accordance with the MHS Equal Opportunities Policy, and all managers in the MHS are equipped with the skills they need to develop their staff. Best practices and principles of the Investors in People (IiP) standard are embedded in the organisation, and we continue to strive to extend this through a process of continuous improvement.

To fulfil these aims, the MHS is committed to implementing and developing a corporate training plan which will cover key priorities and areas for action in training and development.

OPERATIONAL TRAINING

Training for operational staff continues to be a key issue. Senior managers remain committed to ensuring that 'front line'

colleagues have the skills and knowledge to carry out their jobs in protecting public health and ensuring animal welfare at slaughter. Training for operational staff during 2002/03 focused on the following issues:

Meat Technicians

The MHS arranged two courses at the University of Salford for 48 new Meat Technicians during 2002/03. On completion of the two-week course at Salford, all the trainees achieved the RSPH Basic Food Hygiene Certificate.

Meat Hygiene Inspectors

The MHS arranged three courses - at the University of Salford, Blackpool and the Fylde College, and Harper Adams University in Newport, Shropshire - for a total of 57 new Meat Hygiene Inspectors during 2002/03. The courses used a mix of academic tuition, practical experience, and examinations, spread over 28 weeks and leading to the RSPH Meat Inspection Certificate.

The basic training course was extended during 2002 to include training leading to the RIPHH Intermediate Certificate in Applied HACCP principles, and 41 MHIs have so far qualified.

Dual-Qualified Meat Hygiene Inspectors

The MHS remains committed to offering the opportunity for dual qualification in red meat and white meat to all single-qualified MHIs and SMHIs. This is intended to help personal development of the individuals concerned, and to ensure that the MHS has a more versatile workforce. However, the primary importance of service delivery, and resource shortage in providing cover for staff training, has slowed progress in this area.

The TMHI courses held during 2002/03 provided training for 19 S/MHIs to become dual-qualified in both red and white meat. A further six MHIs were sponsored to become dual-qualified, through the part-time study scheme at Thomas Danby College, Leeds.

Training for designation as an OVS

The MHS runs courses, in collaboration with Bristol and Glasgow University Veterinary Schools, for veterinary surgeons who seek designation as OVSs in red and/or white meat plants. Responsibility for official designation of OVSs was transferred on 1 April 2003 from the FSA to the MHS.

During 2002/03, 180 veterinary surgeons were prepared for OVS designation in six OVS designation courses - four at Bristol and two at Glasgow University Veterinary Schools. These courses consist of ten days of intensive lectures and training sessions (the theoretical part), and some practical

training in slaughterhouses, cutting plants and cold stores.

The theoretical element of the course covers the enforcement of legislation made under the Food Safety Act 1990, the Animal Health Act 1981, and the European Communities Act 1972, that are relevant to licensed meat plants in Great Britain, together with the MHS procedures described in the MHS Operations Manual.

The practical training sessions provide the opportunity for the veterinarians, where necessary, to acquire or enhance their existing knowledge and skills in areas of meat hygiene, including meat inspection and animal welfare.

Although the course is not intended to cover all aspects of veterinary public health, it includes some lectures on aspects of animal welfare, notifiable diseases, zoonoses, and meat science that are particularly relevant to Britain. At the end of the theoretical element, the course leaders provide the trainees with a certificate of successful completion of the course.

Conflict resolution

The process of enforcing the law can occasionally lead to hostility and conflict with those against whom the law is being enforced. Conflict resolution training was introduced during 2002, as part of the MHS policy against violence and intimidation. The training helps those working for the MHS to deal with any hostile situations they might encounter at work, whether potential or actual, and more than 1,000 operational staff were trained during 2002/2003.

Training for support staff

For support staff in HQ and in Regional Offices, the MHS uses induction training and annual appraisals of individuals' performance to identify specific training needs. Induction

training is a personal issue, and individual training needs are identified in discussion between the employee and their line manager.

Training for new managers

Training was introduced in October 2002 and has involved 25 employees from all departments and regions on appointment to their first management position (EO level and above). The training programme takes a modular approach to management skills training. On satisfactory completion, students are awarded the Introductory Certificate in First-Line Management.

Part-time study

The MHS tries to support all employees who wish to gain professional qualifications through its part-time study programme. This provides time off with pay for study and examinations, and payment of course fees and essential textbooks.

A total of 36 employees were supported in studies for professional qualifications during 2002/03 in subjects including Administration, Business, Finance, Communications, Human Resources, Management, and the Welsh Language.

CONTINUING PROFESSIONAL DEVELOPMENT (CPD)

CPD for MHIs

There continued to be a good response to the CPD programme of distance learning during 2002/03. The following table shows the numbers of SMHIs and MHIs registered on the programme and the progress made. This shows an encouraging uptake, with some 61 per cent registered.

| REGION | NUMBER OF S/MHIs | NUMBER REGISTERED ON CPD PROGRAMME | | NUMBER PASSED | | | |
|--------------|------------------|------------------------------------|------------|---------------|-------------|---------------|--------------|
| | | | | ONE MODULE | TWO MODULES | THREE MODULES | FOUR MODULES |
| NORTH | 262 | 166 | 63% | 90 | 42 | 11 | - |
| CENTRAL | 315 | 195 | 62% | 93 | 44 | 5 | - |
| SOUTH & WEST | 218 | 122 | 56% | 47 | 16 | 3 | - |
| WALES | 145 | 94 | 65% | 39 | 14 | 5 | 2 |
| SCOTLAND | 149 | 87 | 58% | 44 | 13 | 3 | 1 |
| TOTAL | 1089 | 664 | 61% | 313 | 129 | 27 | 3 |

By late April 2003, 16 candidates had successfully completed four modules and plans were underway to hold a presentation of the RCVS Continuing Education Certificate in recognition of their achievements.

It was agreed in February 2003 that the modules should be made available to Trainee MHIs on qualification, rather than when they had reached one year in post.

The number of modules – on HACCP, Microbiology, and Animal Welfare – was extended during the year by publication of the Poultry Inspection module in November 2002. A fifth module, on Zoonotic Diseases, is due to be published in summer 2003. Three others – on Hygiene, Legislation and Enforcement, and Pathology and Parasitology – are under development.

When students are issued with a module, they are also allocated a mentor who will be there – either physically, or at the end of a 'phone – to offer advice and guidance on the subject. Mentors will have all successfully completed the module themselves. Feedback from students, gathered through the evaluation forms completed at the end of each module, indicate that the students find mentor contact a useful resource, and extremely worthwhile.

CPD FOR OVSS

The CPD OVS panel met quarterly during 2002/03 to review the merit of papers and publications in CPD terms. Subsequent publication and circulation of the panel's assessments helped to continue to achieve the programme's objective of facilitating and updating OVS professional knowledge and expertise in animal welfare and public health. Additionally, the panel conducted a survey to identify the most popular items and sources of CPD material undertaken.

The panel also made arrangements to enhance the range of material available to OVSS through the FSA library in London.

The MHS has a contractual commitment to provide two days' technical training to all contracted OVSS, and this training was extended to all employed OVSS who joined the MHS during 2002. In addition, contracted OVSS receive a further three days' training from their contractors.

Day One of the CPD training involved the enforcement of operators' own checks with particular reference to HACCP and microbiological testing. It was attended by more than 600 OVSS. Day Two of the CPD training involved Animal By-Products, and 530 OVSS attended.

RECRUITMENT AND RETENTION

Recruitment

The MHS recruited 177 new employees during 2002/03, mainly as a result of staff turnover, but also to fill new

positions created under the 'Moving Ahead' programme of organisational change. Of the 177 recruited, 132 were deployed in operational roles.

Overall, the total number of permanent and casual employees increased during the year from 1,648 to 1,688. As in previous years, the MHS has recruited a small number of qualified operational staff, but it has also had to organise further courses for trainee MHIs and MTs, and OVSS. Work has progressed on the development of a resourcing 'blueprint' to help in the planning of operational recruitment, so improving the efficiency of the service.

Recruitment and selection within the MHS is based on the principles of fair and open competition, and selection on merit. In 14 cases there have been some exceptions to the normal recruitment procedures – eight were short-term temporary appointees pending the outcome of staffing reviews, and six related to the re-engagement of former Civil Servants.

The MHS has a system of internal checks to ensure accountability and transparency in recruitment, and external audits are carried out from time to time.

Retention

The MHS continues to work on ensuring retention of its most vital and important resource – its staff. Employment policies are being reviewed, and communications with staff are being improved, to support an organisational culture in which staff feel valued, involved, and motivated at work.

Although organisational re-structuring and proposed changes in meat inspection requirements continue to create uncertainty and affect staff morale, the staff turnover figure reduced this year, from seven to six per cent. It is hoped that by continuing to invest in the continuing professional development of employees to equip them to meet future challenges, the MHS will further reduce its staff turnover.

PAY AWARD 2002/03

The pay award for 2002/03, which covered all permanent, temporary and casual staff below Senior Civil Service (Grade 5 and above) level, became effective from 1 April 2002 and comprised two elements:

- A consolidated 'across the board' basic pay award of 3.5 per cent; and
- A consolidated performance-related payment to staff who qualified under the MHS PRP scheme provisions, based on an individual share value of £33.

The overall value of the pay award was four per cent. For a variety of reasons, it was not possible to make a pay offer until early in 2003. Steps have been taken to ensure these delays are not repeated in future years, and that a prompt settlement of pay claims is made.

PAY AND GRADING REVIEW

In agreeing the pay settlement for 2001/02, MHS senior management re-stated its commitment to achieving progress on a pay and grading review, with the joint involvement of UNISON. The MHS and UNISON agreed that roles would be evaluated using Job Evaluation and Grading Support (JEGS) methodology in accordance with established Civil Service practice.

As the majority of MHS employees work in an operational environment, it was also agreed that additional factors would be added to the standard JEGS to take account of operational aspects of work. This would form a bespoke JEGS scheme for the MHS.

Two management consultancy companies, Towers Perrin and Beamans, were engaged in August 2002 to help with job evaluation and the design and implementation of the new pay and grading system.

A steering group was formed in September 2002 to take the project forward. Membership comprised:

Monica Redmond, Director of Human Resources
Spencer Dawson, Regional Director – Scotland
Steve Benn, MHS Personnel Manager
Ben Priestley, UNISON National Officer
Ron Spellman, UNISON National Convenor
David Jackson, Chair of UNISON negotiating team
Towers Perrin, consultants

Towers Perrin has been involved in the development, modification and updating of JEGS to suit MHS needs. Beamans have provided JEGS training and are currently involved in conducting role analysis interviews. The Cabinet Office, who maintain an overview of the application of JEGS in the Civil Service, continue to be kept informed of progress.

Progress to Date

The Steering Group agreed in October 2002 that the bespoke JEGS scheme should have two extra factors - physical requirements (encompassing physical demands and physical skills), and working conditions (encompassing work environment and emotional demands).

In November 2002, Steering Group members, personnel managers, and UNISON Regional Convenors attended training in JEGS methodology provided by Beamans.

The Steering Group also identified around 30 MHS roles suitable for benchmarking purposes, and Towers Perrin evaluated these using the draft questionnaire in December 2002.

All MHS staff below Senior Civil Service (SCS) level received information and guidance on the pay and grading review process in December 2002.

The Steering Group met in January 2003 to receive feedback from Towers Perrin on the benchmarking and

validation process. The MHS and UNISON have held discussions outside the Steering Group on related matters, including an MHS/UNISON Joint Procedural Agreement to provide a framework of consultation and negotiating machinery, and procedures for the implementation of the bespoke JEGS scheme, including pay protection arrangements and appeals. In April 2003 UNISON agreed to sign the Joint Procedural Agreement.

The Steering Group has agreed that an extra 70 MHS roles will be analysed by Beamans. Suitable post-holders have been identified across all MHS regions and departments, and the post-holders being interviewed have been provided with updated guidance on the pay and grading review process. Presentations were given by Beamans in York and Bristol in April 2003 to those staff involved in the role analysis interviews, and their line managers. Barry Barnett, FSA Remuneration Manager, was engaged on a part-time basis in April 2003 to help the MHS with pay and grading matters.

A Role Analysis Form was agreed with UNISON and Beamans for completion by those post-holders to be interviewed. The job analysis interviews were to be conducted by Beamans throughout May and June 2003.

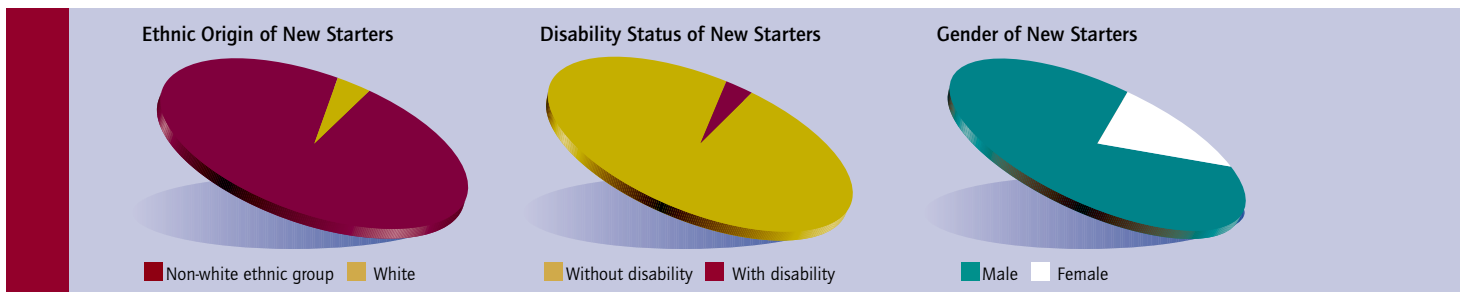
TOWARDS EQUALITY AND DIVERSITY

The MHS continues to work towards creating a more open and diverse organisation in support of its Equal Opportunities Policy, and to achieve consistency with Civil Service reform principles. It has continued to achieve progress with its Diversity Action Plan, aimed at managing inclusion and addressing the under-representation in the MHS workforce of minority ethnic groups, females, and people with disabilities.

The MHS priorities for 2002/03 - Year One of the Diversity Action Plan - were aimed at gathering further data, including that from the 2001 census; re-surveying its staff; developing links with external organisations with expertise in diversity and equality issues; raising the profile of equal opportunities and diversity issues by communications and training, including diversity training for senior managers; and training in equality and diversity for all new managers.

The MHS has addressed many of the actions planned for the year. The emphasis of activity has been on raising the profile of diversity issues and communications, with priority being given to implementation of the Race Relations (Amendment) Act 2000.

On 31 May 2002, the MHS published a draft Race Equality Scheme and Associated Action Plan for consultation purposes, and circulated these to key customers and stakeholders for information and comments. A revised version of the scheme was published on 31 January 2003. Copies are available from the HR Department at MHS headquarters in York, and on the



MHS section of the FSA website.

The MHS Race Equality Working Group, consisting of a cross-section of staff and UNISON representatives, meets quarterly to discuss related issues. Its membership is as follows:

- Monica Redmond, HR Director
- Steve Benn, Personnel Manager, HQ
- Julie Woodman, Personnel Officer, HQ
- Colin Hill, Finance Executive, HQ
- Mervyn Watts, Enforcement Adviser, HQ
- Martyn Wimpenny, ARM, North Region
- Roy Smith, MHI, South & West region
- Tanbir Duhra, Executive Assistant, Central Region
- Ade Soetan, MHI, Central Region
- Ian Cotton, Business Project Manager, Wales Region
- Valerie McGill, Customer Liaison Officer, Scotland Region
- Ron Spelman, UNISON National Convenor

HEALTH & SAFETY

Generic Risk Assessments (GRAs)

The MHS has adopted a generic approach for dealing with many of its common health and safety risks. Five generic risk assessments and guidance on each have been issued, and are included in the MHS Health and Safety Manual. These are on:

1. Personal Protective Equipment
2. Fire Prevention
3. First Aid
4. Safe Use of Knives
5. Ergonomics.

Multi-disciplinary working groups chaired by the Health and Safety Manager undertake the development of the GRAs.

Health and Safety Training

All Senior Meat Hygiene Inspectors, and Trade Union safety representatives, have attended half-day training courses on accident investigation techniques and practical risk assessment. West Yorkshire Metropolitan Ambulance Service (WYMAS) has been appointed to run up to fifteen training courses to equip MHS staff with a fully recognised First Aid at Work Qualification. Courses are underway in Central, North and South & West Regions. Courses have also been held in MHS headquarters, and the Scotland and Wales Regions.

Employed OVSs attended two days of health and safety training during 2002/03. This included identification of the OVS responsibilities for health and safety, and their roles in risk assessment and accident prevention/investigation.

National Health and Safety Committee Meeting

A joint MHS/UNISON National Health and Safety Committee, involving UNISON safety representatives from all over the

country, met in April, June, September and December 2002. Topics discussed included GRAs for zoonoses, driving motor vehicles, the inspection of plants by UNISON safety representatives, and obtaining prescription safety spectacles.

HSE/Meat Trades Joint Working Party

The MHS continues to take an active role in the HSE/Meat Trades Joint Working Party on Health and Safety, which meets quarterly and is chaired by a representative of the British Meat Manufacturers' Association with the support of the Health & Safety Executive. The working party's remit is to devise and promote good practice in the meat industry by the production of guidance notes for operational plant staff and those working for the MHS.

Accident Reporting

The new MHS Accident Incident Report Form was introduced in April 2002. A new MHS reporting procedure was also introduced, explaining the procedure for reporting accidents and incidents, and is included in the MHS Health and Safety Manual.

The total number of accidents and incidents reported using the new reporting forms increased from 308 to 406 in 2002/03. Of the 406 accidents and incidents reported, 292 (or 72 per cent) involved injury. Of this number, 64 (or 16 per cent) were reported to the Health & Safety Executive. However, the incidence rates of reportable incidents (the more serious accidents) has fallen from 4.3 per 100 employees to 3.8 per 100 employees.

Red meat slaughterhouses accounted for 252 (or 86 per cent) of the 292 injuries; white meat slaughterhouses accounted for 30 injuries (10 per cent) and red meat cutting plants for two injuries (one per cent). Almost half the injuries occurred at inspection points in the licensed premises, and 40 per cent involved injury to the hand or arm. The majority were related to the use of knives.



Summary of Injuries Reported between 1st April 2002 and 31st March 2003

| | Central | North | Scotland | South & West | Wales | York HQ | Total | |
|---|---------|-------|----------|--------------|-------|---------|-------|------|
| Total Number of Reports Received | 116 | 91 | 45 | 83 | 67 | 4 | 406 | 100% |
| Total Number Injury | 89 | 59 | 22 | 58 | 60 | 4 | 292 | 72% |
| Number of Employees employed for the Year | 438 | 358 | 188 | 316 | 274 | 97 | 1671 | |
| Annual Incidence rate | 26.3 | 25.4 | 23.9 | 26.3 | 24.4 | 4.1 | 24.2 | |
| Reportable incidence rate | 3.4 | 4.5 | 4.3 | 4.1 | 4.3 | 0 | 3.8 | |

Incidence rate $\frac{\text{Number of Incidents per quarter} \times 100}{\text{Number Employed}}$ = No of incidents per 100 employees

(Source: H & S Manager, HR Department, MHS Headquarters)

EMPLOYEE RELATIONS

The MHS and UNISON have agreed a formal employee relations framework which underlines the mutual commitment to establish regular communications and consultation.

Employee relations business is conducted at both local and national level. National Forum meetings were held in April, July and October 2002 and in January 2003. In addition, there were a total of nineteen Local Regional Forum meetings during the year within headquarters and the five MHS regions.

Both the MHS and UNISON acknowledge that more is achieved through a forward-looking, joint problem-solving approach. To achieve this, UNISON also takes an active part in other areas of MHS business and contributes to a number of projects and initiatives, for example, the Staff Attitude Survey, the Pay and Grading Review, manpower planning, and implementation of the Diversity Action Plan and the 'Moving Ahead' programme of organisational change.

Ron Spellman, UNISON National Convenor, writes: *"The two most difficult issues UNISON had to deal with during 2002/03 were the extremely late conclusion of last year's pay deal, and the possibility of meat plant staff being allowed to undertake meat inspection in red meat plants.*

"On the first issue, a satisfactory pay deal was finally concluded. On the second issue, we are grateful that we have been fully informed and consulted by the FSA as the European proposals on the future of meat inspection have been developed. We continue to represent members' interests at FSA, Ministerial, and EC level on the subject of plant-employed inspectors. It is a matter of record that UNISON is totally opposed to this idea.

"On the plus side, we continue to work closely with the MHS to re-write existing policies in a way that brings more fairness and equity to the service. We have also worked with MHS management on the introduction of the joint pay and grading review.

"Another subject that has kept us busy is representing members' views and wishes in the fast-evolving 'Moving Ahead' programme of organisational change.

"All MHS UNISON members can rest assured that we will continue to monitor all developments, both domestic and

international, and put forward their ideas and protect their interests by whatever means are available to us."

DISCIPLINARY AND CAPABILITY POLICIES

Revised Disciplinary and Capability Policies were introduced in the MHS in September 2002. In support of the introduction of these policies, the MHS is conducting a series of training events for Investigating Officers and Managers.

MANAGING ATTENDANCE

The MHS is developing new ways of managing the attendance at work of those members of staff who are regularly absent through sickness.

The overall sickness rate in the MHS is 19.71 days a year, almost two-thirds of which is due to long-term sickness absence (defined as twenty-eight days or more continuous absence). The MHS approach to managing attendance has traditionally been reactive in nature. A Cabinet Office report on sickness absence in the Civil Service has advocated a more proactive approach to health management.

The following package of measures has been agreed to by the MHS Management Group:

- The development of a Health Care Strategy to provide a co-ordinated approach toward workplace risk, support, and guidance to staff and managers and actions taken in relation to sickness absence casework.
- The development of a specification for an integrated MHS healthcare service.
- The development of targets for sickness absence, based on benchmarking data.
- Consultation and negotiation with UNISON on a new Managing Attendance Policy and Procedure.
- The development of an MHS Stress Policy, to fulfil legal and moral obligations for employee health and well-being.

ANNUAL LEAVE POLICY

A new Annual Leave Policy was implemented in the MHS on 1 April 2003. It introduced positive changes in the way annual leave is managed, eliminating unnecessary administration and ending the 1 April - 31 March leave year that has traditionally applied to all MHS staff. All staff now have a personal leave year, based on their date of birth, to avoid many people trying to take residual annual leave in the last few weeks of the financial year.

A two-day increase in annual leave entitlement was consolidated into the new policy, which also includes:

- An increase, from five to nine, in the number of days of annual leave that can be carried over from one leave year to the next.
- An end to the reduction of annual leave for those on long-term sick leave.
- Restrictions on the buying-out of annual leave, to exceptional circumstances only.

'WHISTLE-BLOWING' POLICY

Three complaints were made during 2002/03 under the MHS 'Whistle-blowing' Policy, which was introduced in January 2002. The first was a complaint concerning the actions of a line manager, but the complainant refused to contribute to an investigation by the Independent Adjudicator. The complainant has since left the organisation without offering any evidence to support the complaint. The second case related to management decisions in a disciplinary investigation and subsequent hearing. This complaint was investigated by the Independent Adjudicator who found that while there were two areas of management failure, the first had been previously rectified at the appeal stage of the disciplinary procedure and the second did not affect the outcome of the hearing. The third case, concerning an allegation of impropriety against another MHS employee, is under investigation by the FSA.

PRESSURE AT WORK - THE 'WELL' SURVEY

Throughout 2002/03, the MHS has continued to use the services of Businesshealth Limited/WELL to identify and address sources of pressure at work. A further survey of the pilot group of more than 100 employees, encompassing key management groups - including the MHS Management Group - has been conducted, using the 'WELL Pressure Profile' questionnaire. In addition, a WELL health survey has been conducted.

All employees who have taken part in the surveys have received individual feedback. The WELL support services continue to be provided. They include advice on how to improve health and well-being, how to achieve work/life

balance, and access to a confidential 24 hour, seven day a week helpline.

A number of workshops for employees were held to discuss work/life balance issues and the avoidance of stress.

The MHS Management Group, in the light of the positive outcomes of the pilot survey, has approved the extension of the WELL programme to other groups of employees so that they can be offered extra support at a time of organisational change, and the uncertainty that that is bound to create.

The WELL Survey and Businesshealth Group won an award from "Employee Benefits" magazine for producing the Most Effective Work/Life Balance Strategy. The award judges felt that the MHS had taken a strategic approach to identifying problems in the work/life balance of its managers, and that by educating managers the MHS was equipping them to support other staff too.

MHS STAFF ATTITUDE SURVEY 2002

The second MHS Staff Attitude Survey was developed with UNISON and conducted during September and October 2002. It involved sending a questionnaire to more than 2,300 staff during September 2002, seeking opinions on seven issues:

1. Working for the MHS
2. Training and development
3. Management style
4. Treatment at work
5. Valuing diversity
6. Communications and change
7. The future.

The 991 questionnaires that were returned gave a response rate of 43 per cent. This compares very favourably with other public sector surveys undertaken by MORI, but was lower than the response rate to the 2001 survey. Excluding contract OVSs - who were included in the 2002 survey for the first time - the return rate was 58 per cent, close to that for the 2001 survey (63 per cent).

Overall, the survey indicated that - although progress has been made in many areas - there was still room for further improvement.

Improvements from 2001

This year's results show a number of encouraging improvements since last year, including:

- Job satisfaction
- Working for an organisation that looks after its employees
- Advocacy as an employer
- Credibility of information

- Advocacy of MHS's work
- Co-operation between MHS teams and regions
- Feeling informed
- Opportunity for personal development
- Making the best use of skills and ability
- Level of communication

The survey results saw a deterioration since last year in the following areas:

- Discrimination

- Unfair treatment

Forty-four per cent of those surveyed described themselves as satisfied with their job, which is encouraging, although it is below MORI's public sector norm of 59 per cent. But the survey indicated satisfaction with many aspects of work in the MHS, including working with friendly colleagues, feeling that something worthwhile had been accomplished, and feeling part of a team.

Other key findings were:

| STATEMENT | POSITIVE RESPONSE (2002 survey) | POSITIVE RESPONSE (2001 survey) |
|---|---------------------------------|---------------------------------|
| I always, or usually, believe the information I am given | 58% | 52% |
| I am fully or fairly well informed | 53% | 51% |
| I am satisfied with my job | 44% | 37% |
| I would speak highly of the work of the MHS | 42% | 38% |
| I feel valued and recognised for the work I do | 27% | 22% |
| I would speak highly of the MHS as an employer | 23% | 17% |
| I work for an organisation that looks after its employees | 21% | 15% |

The survey responses indicated a number of broad areas or themes where improvements or progress can be made:

- Improved management
- Listen to, and consult, staff
- Support for staff
- Improving the quality and quantity of information/communication
- Improved working practices
- Improved/fairer pay

Although the survey results indicated organisational strength in some aspects of management style, as well as in communications and commitment to change, there were a number of areas where action was needed to improve the quality of working life of all MHS staff. These can be summarised as follows:

Management of change. Employees felt that they had little influence or input to change processes, which were generally managed badly, with little consultation.

Helping employees to feel more valued. This is a complex issue, in that staff do not feel cared for, are dissatisfied with pay and conditions, and feel that there is little recognition of their day-to-day problems. Opportunities for upward feedback are perceived to be limited.

Improving levels of job satisfaction. Staff do not perceive that their work is interesting or fully utilises their skills, and provides little sense of achievement. Physical working conditions and environment, IT facilities and training and development also need to be improved.

Co-operation across the MHS. This is another complex issue in that co-operation within and between Regions, as well as more generally between the Regions and headquarters, is perceived to be a major barrier at work.

These areas will be addressed by a working group of senior management, UNISON and staff drawn from the regions and headquarters departments.

The working group's remit is to devise practical actions to address these issues, to review the survey process used in 2002, and to give advice on the survey process to be used in the future. The first meeting of the working group was held in June 2003.

INTRODUCTION OF NEW CIVIL SERVICE PENSION SCHEME

A new Civil Service Pension Scheme was introduced on 1 October 2002, offering some 450 MHS permanent and temporary employees who were members of the Principal Civil Service Pension Scheme (PCSPS) new pension choices.

Those MHS employees who are members of the Local Government Pension Scheme were unaffected by the changes.

New starters with the MHS from 1 October 2002 are offered a choice between the new Civil Service Pension Scheme, or stakeholder-based partnership schemes with contributions from both employer and employee.

COMMUNICATIONS

2002/03 was the first full-year of operation of the communications team, which was established in October 2001 and became part of the BDU in May 2002. This team is the



focal point for all MHS communications – internal, external, upwards, downwards and lateral.

One of its main duties is the preparation of the two formal and regular means of communication with all MHS staff and those who work for it. These are MHS News, a fortnightly news bulletin on organisational and policy development, new operational requirements, and staff changes; and MHS Update, a quarterly magazine in full colour containing articles about MHS staff, training opportunities, longer-term policy developments, and MHS operations in the context of wider Government.

The communications team also produces the Annual Report & Accounts, and developed during 2002/03 a Communications Strategy to determine the pace and direction of change in the way the MHS communicates internally and with customers and stakeholders. The strategy document is undergoing final refinement to bring it into line with recent developments in electronic communication, and to determine which parts of it can be implemented in 2003/04, taking into account resource availability and other priorities.

REWARDING INNOVATIVE STAFF IDEAS

In July 2002, the MHS launched a new staff suggestion scheme entitled Rewarding Innovative Staff Ideas (RISI), to give employees an opportunity – either individually or as part of a group – to bring personal skills, wider knowledge, and previous experience to bear on improving the way the MHS operates.

All staff are invited to present an idea, in writing, about any area of MHS work or current procedures thought to be capable of improvement. The ideas, backed up with relevant facts, background information, and estimates of costs/savings where appropriate, are anonymised for consideration by an evaluation panel consisting of the Head of Business Development, the HQ Veterinary and Technical Support Manager, a Finance Executive, a Personnel Officer, an Area Resource Manager, a Business Project Manager, a Senior Meat Hygiene Inspector, a Meat Hygiene Inspector and a Meat Technician.

The evaluation panel, which will meet quarterly, met for the first time on 31 March and 1 April 2003, and considered a total of 20 suggestions. Of these, three were recommended for implementation; three were deferred pending receipt of further information, and 14 could not be implemented at that time. These will remain on file for the next two years, in case circumstances change sufficiently to warrant their re-evaluation.

A total of £780 was awarded by the panel, as follows:

- £240 was awarded for suggested changes to improve the Plant Day Book

- £170 was awarded for the production of a guide to 'Managing your Study Time'
- £170 was awarded for the concept and mock-up of a CD-ROM showing photographs of pathological conditions in animals for use by operational staff in reaching diagnoses
- Two interim awards of £25 were made, pending further information being collated to re-present to the evaluation panel
- Six awards of £25 were given in recognition of the time and effort taken in preparing suggestions that could not be implemented at that time

MHS AWARDS

The MHS Award for Excellence, inaugurated in 2001, is given in recognition of the contribution made by MHS staff to the overall success of the organisation. For 2002/03 it was awarded to Angus Lowden, Area Resource Manager, Scotland Region, in recognition of his outstanding contribution to the field of meat hygiene inspection throughout his career, and as a reflection of his hard work and dedication towards ensuring the success of the MHS – in particular, the promotion of the MHS and the role of the meat inspector in protecting public health, at seminars across the UK and abroad. Angus is Chairman of the Association of Meat Inspectors, and a past-President of the European Association of Food Inspectors.

The Royal College of Veterinary Surgeons' Trophy was awarded to Mike Seton, OVS, South & West Region. The Trophy is awarded to an MHS veterinarian for exemplary work in the veterinary field. It was awarded to Mike in recognition of his dedicated help with the committee work required to ensure that the MHS maintains a healthy relationship with the British Veterinary Association. The award also reflected Mike's handling of the introduction of HACCP into Smithfield Market, London. Mike is President of the Veterinary Public Health Association (VPHA).

The MHS Merit Award was awarded to Eric Smith of the University of Salford. This award is given in recognition of a non-MHS employee's contribution to meat hygiene. It was awarded in recognition of Eric's hard work and close involvement with the delivery of trainee Meat Technician and trainee Meat Hygiene Inspection courses at Salford for many years.

The MHS Trophy for Meat Inspection was awarded to Brian Atherton, a Senior MHI, North Region. This Trophy is awarded to MHS inspection staff in recognition of their special contribution to the field of meat inspection. It was awarded in recognition of Brian's long-standing involvement with the meat industry, and the active part he has played in training many students in the North West.



The successful recipients of the higher awards under the RISI scheme were invited to a formal presentation in York. Mavis Regan, an OVS based in the MHS North Region, is seen here receiving her award – for suggested improvements to the MHS Plant Day Book - from (left) Chris Lawson, MHS Chief Executive. Looking on is Kevin Goddard, Head of the Business Development Unit, and chairman of the RISI Evaluation Panel.

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STATE HONOURS

Erica Murray, formerly a contract POVS in the MHS Scotland Region, was awarded an MBE in the special Queen's Jubilee Birthday Honours List published in June 2002. Erica had worked for the MHS since it was established in 1995, and received her award for services to animal health in Roxburghshire. She worked in the Dumfries control centre during the outbreak of Foot and Mouth Disease in 2001. She attended an Investiture ceremony at Buckingham Palace on 26 November 2002 and received her award from The Queen. Erica said of the occasion: "Everything was organised to perfection. Everyone was made to feel very welcome and important. It was a wonderful day."

Another recipient of the MBE – this time from the Prince of Wales – was J. A. E. (Edwin) Moar, a retired OVS, who received his award in May 2002 for services to animal health in Shetland. Mr Moar was a practising veterinary surgeon for 43 years. Edwin said of his Investiture day: "It was actually very relaxing – much more so than I had expected. Everyone made an effort to put us at ease."

In addition, four members of staff attended Garden Parties at Buckingham Palace in summer 2002. They were Adam Stock, SMHI, South & West Region; Jack McPhee, ARM, Scotland Region; Mervyn Watts, (then) Acting Quality Manager, HQ; and Isobel Churchill, Personal Secretary to the Veterinary & Technical Director.

FINANCIAL AND CONTROL ISSUES

AUDIT AND RISK COMMITTEE

During 2002/03, the MHS Audit and Risk Committee was reconstituted in line with HM Treasury requirements for corporate governance. It now comprises a non-executive Chair, Iain MacDonald, and two other non-executive members, William McLaughlin and Robert Bell. The committee met twice in its new form in 2002/03, and met again in May 2003 to agree the MHS accounts for the financial year that ended in March 2003. Its purpose is to advise the MHS Chief Executive on the adequacy of audit arrangements, and on the implications of assurances provided in respect of risk and control in the MHS.

RISK MANAGEMENT

The MHS recognises that it faces all manner of risks in striving to achieve its objectives. Given that resources are finite, the MHS aims to optimise its response to risk, prioritised in accordance with an evaluation of those risks.

The MHS has in place most of the key elements of an effective system of internal control, as required by HM Treasury. Key elements include a formal management board (the MHS Management Group) chaired by the Chief Executive,

a risk register which is regularly reviewed, an integrated business planning process, Government-compliant internal audit arrangements, and regular performance monitoring of business and financial planning.

HM Treasury requires an annual statement on internal control to be signed by the Accounting Officer, and the statement for 2002/03 is at Page XX. Work is in hand on the important task of implementing the remaining actions identified in the statement, in order to have a fully Turnbull-compliant* system of internal control by 31 March 2004.

* Refers to The Turnbull Report, containing guidance on internal control and issued by the Institute of Chartered Accountants in September 1999

MHS CHARGING POLICY

The MHS provides a range of services in licensed meat plants across Great Britain. Some services, such as the enforcement of BSE controls, are paid for by Government Departments. Other services are charged to plant operators.

The basis for the calculation of charges in abattoirs and cutting plants for work carried out under the Fresh Meat Regulations was amended in April 2001 following recommendations made by the Meat Inspection Charges Task Force (the Maclean Group). Charges are now made at the standard (headage/throughput) rate, laid down in the Regulations, or for the actual inspection costs where these are lower. Cold stores are charged a fixed fee per inspection visit, depending on storage capacity. The MHS makes separate charges for work done outside the Fresh Meat Regulations, for example, export certification. This work is charged on a time-cost basis. An updated guide to MHS Charging Policy was sent to all licensed plants in Great Britain in March 2003.

While the vast majority of plants no longer pay hourly rates for the inspection services provided by the MHS, hourly rates have to be reviewed each year to determine whether these or headage rates apply.

In January 2003, the MHS consulted with all licensed meat plant operators and interested organisations on proposals for an increase of 6.5 per cent in hourly charges. Around 1,300 consultation packs were sent out, and the exercise elicited fourteen responses. Nine of the plant operators who responded were not affected, as they currently pay headage rates.

The MHS and FSA carefully considered these responses and agreed to implement the 6.5 per cent increase as proposed, in line with the expected increase in costs that the MHS faces in 2003/04.

For the calendar year 2003, headage charges were increased by 1.7 per cent, in line with changes in the Euro/sterling exchange rates, as required by the Fresh Meat Regulations and EU law.

PROCUREMENT

An MHS Procurement Team was established during the last quarter of the year to contribute to the Government's target of two per cent, year on year, efficiency savings. The team's first priority was the production of a three-year MHS Procurement Strategy, and this was presented to the MHS Management Group in March 2003. The Procurement Strategy will support the MHS in delivering and sustaining a programme of effective and efficient procurement through a pro-active and supportive service, culminating in delivering essential quality while maximising value for money.

August 2002 saw the start of a pilot project to introduce the Government Procurement Card throughout the MHS, with the objective of reducing transaction processing costs. It is expected that procurement cards might eventually be used throughout the MHS, but this is subject to a review of the pilot project and deciding on a future e-procurement strategy.

SUPPLIER PAYMENT PERFORMANCE

The Government is committed to paying its suppliers promptly. In line with all Departments and Agencies, the MHS aims to meet the target of paying all invoices that are not in dispute within 30 days of receipt, or within the agreed payment terms if these are different.

The table below shows the Agency's performance over the last four years, showing a year-on-year improvement.

| Year | Percentage paid by due date |
|-----------|-----------------------------|
| 1999/2000 | 95% |
| 2000/2001 | 97% |
| 2001/2002 | 97% |
| 2002/2003 | 98% |

DEBT RECOVERY

The MHS encourages its customers to pay invoiced charges promptly. Our work is reflected in the reduction in the 'debtors' days' figure over the last year. As at 31 March 2002 the industry 'debtor days' figure was 62. As at 31 March 2003 it had fallen to 46. This means that MHS invoices are being paid faster, so reducing unpaid debt. As at 31 March 2002, the outstanding industry debt, net of provision for bad and doubtful debts, was £5.1 million. The same figure for 31 March 2003 showed a reduction to £4.3 million.

This trend is partly the result of industry's continued generally favourable response to the revised charging mechanism introduced in line with the proposals of the Meat Inspection Charges Task Force (the Maclean Group) in April 2001. It also results from a continued and robust debt recovery policy.

In England and Wales, debt recovery services are provided

by a commercial law firm, Drydens. Drydens is a new firm, created during 2002/03 by Hammonds Suddards Edge, to pool and make the best use of their specialist debt recovery resources. Hammonds Suddards Edge had provided debt recovery services to the MHS since 2000. In Scotland, this service is provided by the Office of the Solicitor to the Scottish Executive.

The MHS uses all available means to collect outstanding charges, including withdrawal of the meat inspection service where appropriate. In one case during 2002/03, after a county court judgment had been issued against an occupier and that occupier had subsequently defaulted on payment, the MHS used the provision in the regulations for withdrawal of service. The judgment debt was paid immediately after the service had been withdrawn, and the service was reinstated on receipt of cleared funds. The MHS will continue to use such powers where justified, to ensure that inspection charges are paid on time.

FINANCE IT PROJECTS

A number of new projects were initiated within the Finance Department during 2002/03, with the objective of establishing more effective and efficient financial management and control:

- Replacement of the Contract Payment System was initiated during summer 2002, and was scheduled to be operational in May 2003. Extensive development and testing has already taken place. This system will pay contract costs of veterinarians and meat inspectors after submission of their timesheets, with an annual value of £26 million.
- An on-line Finance Manual project was initiated in April 2002 to provide access to finance procedures for all MHS staff. The project is still underway but has already achieved significant progress, as the core finance procedures are now readily accessible online.
- A project was initiated during January 2003 to source and implement a new financial ledgers system to enable the MHS to respond to business requirements. This is time-tabled for full implementation in April 2005. A project manager has been appointed, with the first task of reviewing current financial processes.

THE FUTURE

THE FUTURE OF MEAT INSPECTION

(EU Proposals for Food Hygiene Legislation)

In 2000, the EC put forward proposals to simplify and consolidate 17 Directives on food hygiene legislation into five Regulations. All but one of the current Directives are described

as vertical, because they deal with different food sectors. The five Regulations are described as horizontal, because they will cover hygiene for all food production.

The package aims to establish an effective, proportionate, and risk-based system for improving public health protection.

The five linked hygiene (H) proposals cover the following areas:

H1. This regulation covers general hygiene rules, and applies to all food sectors including farming.

H2. This regulation covers specific hygiene rules for products of animal origin, setting out licensing requirements and operators' duties.

H3. This regulation covers official controls on products of animal origin, and sets out the roles and responsibilities of the competent authority (in the case of the UK, the Food Standards Agency). It details the tasks of officials in approved meat plants. It also includes rules for the approval of establishments and sets out the controls applying to the import of products of animal origin into the EU from countries outside the EU.

H4. This regulation consolidates existing animal health provisions. It has been agreed as an EU Directive, and will come into force on 1 January 2005.

H5. This proposal repeals existing legislation, and amends related legislation.

The requirements of the new legislation will be directly applicable in the UK. The MHS is planning for the changes that will be necessary to implement the proposed official controls.

In respect of meat, the Government believes that the official control regime should be modernised to:

- Focus on reducing contamination of meat that can cause food poisoning, serious illness and death through the use of HACCP-based procedures, rather than by visual meat inspection only.
- Require competent authorities to audit the operator's system of controls, rather than maintain a 'command and control' approach that can seriously prejudice the concept of operator responsibility for the safe production of food.
- Permit the competent authority to deploy Official Veterinarians and Official Auxiliaries (Meat Hygiene Inspectors), according to the level of risk and compliance of a plant, rather than the scale of the operation.
- Empower Official Auxiliaries to take responsibility for enforcement in premises when the Official Veterinarian is not present.
- Allow plant staff to carry out post-mortem inspections, as long as agreed criteria and training standards are met, and performance standards are achieved.

REVIEW OF PAY AND GRADING

A report on the progress of the review will be provided to the

Cabinet Office in June 2003. The future stages of the review are:

1. Role evaluation, which involves the analysis and evaluation of current roles to determine their rank order on the basis of which a grading structure can be designed and implemented. This stage is due for completion in January 2004.
2. Development and implementation of a pay structure with the following targeted outputs:
 - Grading structure underpinned by job evaluation
 - Salary ranges for each grade
 - Salary progression that allows new starters to progress to target points within a reasonable period of time, subject to satisfactory performance.

This stage is due for completion by March 2004.

ORGANISATIONAL DEVELOPMENT

In 2003/04, MHS organisational development will focus on continuing the 'Moving Ahead' programme and completing the IT Deployment in Meat Plants Project.

Phase Two of 'Moving Ahead' will deliver completion of the Operations Directorate, with the introduction of the new organisational structure in the Central and South & West Regions from April 2004. By this time, work on the realignment of policies, processes and procedures will have been completed, including the review and devolvement of human resource management functions. Beyond this remains the establishment of the Corporate Services Directorate.

By the end of 2003/04, it is hoped that the roll-out of IT infrastructure to plant-based personnel will be complete. This will be coupled to extensive developments of the content management system, and an internet portal to improve access to information about the MHS not only for our workforce, but also for customers and stakeholders.

REVIEW OF THE OVER THIRTY MONTH (OTM) RULE

The FSA is carrying out a review of the OTM rule, and this is likely to have a major impact on the MHS through the potential cessation or reduction in OTM Scheme slaughtering, and increased BSE testing.

As part of the review, a joint FSA/SEAC (Spongiform Encephalopathy Advisory Committee) risk assessment group provided scientific advice on the risks to consumers posed by OTM cattle under various options for changing the rule. A Core Stakeholder Group, which included Jane Downes, MHS Veterinary & Technical Director, considered the measures needed to manage those risks and replace the OTM rule with BSE testing, taking account of the legal and practical implications and costs.

The Core Stakeholder Group found that:-

- The results of the risk analysis indicated that the

additional public health benefit provided by the OTM rule was small.

- The cost of maintaining the OTM Scheme and the OTM rule was large.
- Maintaining the rule was disproportionate to the level of public health protection it offers.

The group therefore concluded that removal of the OTM rule would be justified. This, under EU rules, would require all OTM cattle to be tested for BSE before entering the human food chain. SRM controls would remain in place, and would extend to the removal of vertebral column from OTM animals.

The Core Stakeholder Group agreed that two alternative options to the OTM rule should be considered. These were to either allow cattle born after 1 August 1996 into the food supply, or to allow cattle of any age into the food supply.

The FSA Board, after public consultation, will consider the recommendations of the Core Stakeholder Group and then make recommendations to Ministers. Any changes to the OTM rule as a result of this process are unlikely to take effect before January 2004. The MHS is fully involved in discussions with the FSA and Defra on the effects this could have on MHS workloads.

QUALITY STANDARD ACCREDITATION

The MHS is in the final stage of transition from the ISO 9002:1994 quality standard to the newer ISO 9001:2000 standard. Certification will hopefully be achieved in the summer of 2003. The new standard requires the MHS to adopt a process approach to quality management, leading to a continuous cycle of business improvement.

The newly-formed Verification and Audit Team will provide information for the improvement process through audits of MHS operations in licensed premises, MHS business processes, and key MHS suppliers.

When certified to ISO 9001:2000, the MHS will be subject to continuing external assessment to assess conformity with the requirements of the standard.

MHS INTERNAL VERIFICATION

The MHS has made a major commitment to improving the standard and consistency of MHS service provision in licensed meat premises and in the internal control of its business. A pilot scheme, using ISO-qualified MHS staff, was conducted in summer 2002. As part of Moving Ahead an MHS Verification & Audit Unit was established as part of the Veterinary & Technical Directorate. The unit will consist of six Veterinary Verifiers and six Technical Verifiers, and this team is expected to be fully operational by August 2003.

There will be three key areas of audit activity:

Service provision in plants

This is where we deliver our key services to meet very exacting requirements. A team of Veterinary and Technical Verifiers will audit MHS performance in licensed premises across the whole of Great Britain. This will produce greater consistency in MHS operations, essential management information, and an opportunity to disseminate identified good practice throughout the MHS.

MHS business processes

Key MHS business processes will be identified and assessed through audit to ensure they are effective, efficient and have a sound basis for continual improvement. The links between different processes are equally important and they will be audited too.

External suppliers

The MHS needs assurance on the quality and security of key supplies and services. Auditors will visit key suppliers to assess their business systems and compliance with their MHS contract.

Audit team activity will be linked to a rigorous corrective action procedure where non-compliance is identified. Equally, audit is a tool for identifying good practice and driving improvement in the MHS. A very positive approach to audit will be maintained.

IMPROVING COMMUNICATIONS IN THE MHS

Following the roll-out of an IT infrastructure to plant-based personnel, for the first time there will be electronic links between office-based staff and those working in licensed premises. With the parallel development of the MHS Content Management System effective electronic communication will be possible with staff throughout Britain. In addition, customers, stakeholders and the wider public will be able to access information about the MHS on its own website, rather than having to use the FSA website.

ANIMAL WELFARE REVIEW 2003

The MHS will be conducting, on behalf of Defra, a review of animal welfare in all licensed slaughterhouses in Great Britain in 2003. The previous review was published by Defra in 2002.

The review is carried out every two years and will be split into two parts - welfare in poultry slaughterhouses (reviewed in May 2003), and welfare in red meat slaughterhouses (to be reviewed in September 2003).

The main objectives of the review are to assess standards of animal welfare at slaughter, and to collect data on the methods of stunning, slaughter and killing used in different sectors of the industry. The protection of animal welfare at slaughter forms part of the MHS's central aim, and where deficiencies are identified the MHS will continue to recommend prosecution of the plant operators responsible.

APPENDICES

LEGISLATION

As at 31 March 2003, the MHS was responsible for enforcing aspects of the legislation listed below. Secondary legislation of domestic (UK) origin has its roots mainly in the Food Safety Act 1990 and the Animal Health Act 1981.

As well as Statutory Instruments (Regulations and Orders), there are a number of guidance notes and other factual documents which have their origin in legislation, and are included on that basis in the MHS Operations Manual.

The Fresh Meat (Hygiene and Inspection) Regulations 1995 (SI No. 539), as amended

The Poultry Meat, Farmed Game Bird Meat and Rabbit Meat (Hygiene and Inspection) Regulations 1995 (SI No 540), as amended

The Wild Game Meat (Hygiene and Inspection) Regulations 1995 (SI No. 2148), as amended

The Specified Risk Material Regulations 1997 (SI No. 2965), as amended

The TSE (England) Regulations 2002 (SI No. 843)

The TSE (Scotland) Regulations 2002 (SSI No. 255)

The TSE (Wales) Regulations 2002 (SI No. 1416 (W.142))

The Fresh Meat (Beef Controls) (No.2) Regulations 1996 (SI No. 2097), as amended

Food Safety Act 1990:

Code of Practice No. 4: Inspection, Detention and Seizure of Suspect Food

Code of Practice No. 5: The Use of Improvement Notices (Revised April 1994)

Code of Practice No. 10: Enforcement of the Temperature Control Requirements of Food Hygiene Regulations

Code of Practice No. 17: Enforcement of the Meat Products (Hygiene) Regulations 1994

Guidance Notes to be read in conjunction with Food Safety Act 1990 Code of Practice No. 17 on Enforcement of the Meat Products (Hygiene) Regulations 1994

Training of Plant Inspection Assistants - Guidelines for the Use of Official Veterinary Surgeons

Veterinary Field Service (list of addresses) (Revised 1 Aug 1998)

The Welfare of Animals (Slaughter or Killing) Regulations 1995 (SI No. 731), as amended

The Welfare of Animals (Transport) Order 1997 (SI No. 1480)

The Minced Meat and Meat Preparations (Hygiene) Regulations 1995 (SI No. 3205)

The Animal By-Products Order 1999 (SI No. 646)

Guidance Note on the Disposal of Animal By-Products

The Animal By-Products (Identification) Regulations 1995 (SI

No. 614), as amended

The Meat Products (Hygiene) Regulations 1994 (SI No. 3082), as amended

Guidance Notes on the Licensing and Training of Slaughtermen (Issued Jan 96)

Guidance Notes on the Slaughter of Ostriches - Welfare (Issued Aug 96)

Beef Assurance Scheme booklet (BAS 1)

The Bovines and Bovine Products (Trade) Regulations 1999 (SI No. 1103), as amended

The Products of Animal Origin (Import and Export) Regulations 1996 (SI No. 3124), as amended

The Cattle Identification Regulations 1998 (SI No. 871)

The Animals and Animal Products (Examination for Residues and Maximum Residue Limits) Regulations 1997 (SI No. 1729)

The Animals and Animal Products (Import and Export) (England & Wales) Regulations 2000 (SI No. 1673)

The Animals and Animal Products (Import and Export) (Scotland) Regulations 2000 (SI No. 216)

The Meat (Enhanced Enforcement Powers) (England) Regulations 2000 (SI No. 225)

The Meat (Enhanced Enforcement Powers) (Scotland) Regulations 2000 (SSI No. 171)

The Meat (Enhanced Enforcement Powers) (Wales) Regulations 2001 (SI No. 2198 (W. 158))

The Meat (Disease Control) (England) Regulations 2000 (SI No. 2215)

The Meat (Disease Control) (Wales) Regulations 2000 (SI No. 2257)

The Meat (Disease Control) (Scotland) Regulations 2000 (SSI No. 288)

The Restriction on Pithing (England) Regulations 2001 (SI No. 447)

The Restriction on Pithing (Wales) Regulations 2001 (SI No. 1303)

The Meat (Hazard Analysis and Critical Control Point) (England) Regulations 2002 (SI No. 889)

The Meat (Hazard Analysis and Critical Control Point) (Scotland) Regulations 2002 (SSI No. 234)

The Meat (Hazard Analysis and Critical Control Point) (Wales) Regulations 2002 (SI No. 1476 (W. 148))

LIST OF PUBLICATIONS

Publication:

MHS Clean Livestock Policy (booklet) (PB3250)
MHS Clean Livestock Policy (leaflet) (PB3411)
Clean Sheep for Slaughter (a guide for farmers) (PB4102)
Clean Beef Cattle for Slaughter (a guide for farmers) (PB4013)

Available from:

FSA Publications, PO Box 369, Swallowfield Way, Hayes,
Middlesex UB3 1DQ
Tel: 0845-6060667

Publication:

FSA Report on the Audit of the MHS (2000/2001)
FSA Report on the Audit of the MHS (1999/2000)
SVS/VPHU Report on the Audit of the MHS (1998/99)

Available from:

FSA Veterinary Public Health Operations Division, Room 315B,
Aviation House, 125 Kingsway, London WC2B 6NH
Tel: 020 7276 8377

Publication:

MHS Clean Livestock (guidance notes) for cattle and sheep
farmers

Available from:

MLC, PO Box 44, Winterhill House, Snowdon Drive, Milton
Keynes, MK6 1AX
Tel: 01908 677577

Publication:

MHS Sheep Dentition Chart
MHS Beef Dentition Chart

Available from:

MHS, Operations Support Unit, Room 254, Foss House, Kings
Pool, Peasholme Green, York YO1 7PR
Tel: 01904 455450

Reports:

MHS Animal Welfare Survey 2001/2002
MHS Animal Welfare Survey 1999/2000
MHS Animal Welfare Survey 1997/98

Available from:

MHS, Operations Support Unit, Room 254, Foss House, Kings
Pool, Peasholme Green, York YO1 7PR
Tel: 01904 455450

Publication:

MHS Annual Report & Accounts 2002/2003

(Price: £XX.YY) (English version)

MHS Annual Report & Accounts 2002/2003

(Price: £XX.YY) (Welsh version)

MHS Annual Report & Accounts 2001/2002

(Price: £19.00) (English version)

MHS Annual Report & Accounts 2001/2002

(Price: £19.00) (Welsh version)

MHS Annual Report & Accounts 2000/2001

(Price: £16.50) (English version)

MHS Annual Report & Accounts 2000/2001

(Price: £16.50) (Welsh version)

MHS Annual Report & Accounts 1999/2000

(Price: £16.10)

MHS Annual Report & Accounts 1998/99

(Price: £14.00)

MHS Annual Report & Accounts 1997/98

(Price: £15.90)

MHS Annual Report & Accounts 1996/97

(Price: £13.70)

MHS Annual Report & Accounts 1995/96

(Price: £13.70)

Available from:

The Publications Centre, PO Box 276, London SW8 5DT or from
TSO bookshops
Tel: 08457 0723474

Publication:

MHS Customer Satisfaction Survey, October 2002 – April 2003

MHS Customer Satisfaction Survey, April - October 2002

MHS Customer Satisfaction Survey, October 2001 – April 2002

MHS Customer Satisfaction Survey, April - October 2001

MHS Customer Satisfaction Survey 2001

MHS Customer Satisfaction Survey 2000

MHS Customer Satisfaction Survey 1999

MHS Customer Satisfaction Survey 1998

MHS Customer Service Statement

Available from:

MHS, Human Resources Department, Room 431, Foss House,
Kings Pool, Peasholme Green, York YO1 7PR
Tel: 01904 455525

Publication:

MHS Operations Manual

(Price: £95 a year, including update service)

Available from:

MHS Operations Editorial Team, Room 254, Foss House, Kings
Pool, Peasholme Green, York YO1 7PR
Tel: 01904 455238

GLOSSARY

| | | | |
|--------|--|--------|---|
| ABP | Animal By-Product(s) | JEGS | Job Evaluation and Grading Support |
| ABP(l) | Animal By-Products (Identification) Regulations | LGPS | Local Government Pension Scheme |
| AM | Area Manager | LPFA | London Pensions Fund Authority |
| AMI | Association of Meat Inspectors | MAFF | the former Ministry of Agriculture, Fisheries and Food |
| ARAD | Agriculture and Rural Affairs Department of the National Assembly for Wales | MHAC | Meat Hygiene Advisory Committee |
| ARM | Area Resource Manager | MHI | Meat Hygiene Inspector |
| AWD | Animal Welfare Division of DEFRA | MHS | Meat Hygiene Service |
| BAS | Beef Assurance Scheme | MLC | Meat and Livestock Commission |
| BCMS | British Cattle Movement Service | MT | Meat Technician |
| BDU | Business Development Unit | NAO | National Audit Office |
| BPM | Business Project Manager | NC | Non-compliance |
| BSE | Bovine Spongiform Encephalopathy | NSS | National Surveillance Scheme |
| BSI | British Standards Institution | OM | Office Manager |
| BSS | Brain Stem Sampling | OPET | Operations Editorial Team |
| BVA | British Veterinary Association | OSU | Operations Support Unit |
| CCP | Critical Control Point | OTM | Over Thirty Month |
| CEESA | The European Animal Health Study Centre (Centre d'Etude Europeenne de Sante d'Animaux) | OTMS | Over Thirty Months Scheme |
| CIEH | Chartered Institute for Environmental Health | OVS | Official Veterinary Surgeon |
| CLO | Customer Liaison Officer | PGO | Paymaster General's Office |
| CLP | Clean Livestock Policy | PCSPS | Principal Civil Service Pension Scheme |
| COVS | Contract OVS | PIA | Plant Inspection Assistant |
| CPD | Continuing Professional Development | PMI | Poultry Meat Inspector |
| CTS | Cattle Tracing System | POVS | Principal Official Veterinary Surgeon |
| CVO | Chief Veterinary Officer | PQ | Parliamentary Question |
| DARD | Department of Agriculture and Rural Development (NI) | PRP | Performance Related Pay |
| DBES | Date Based Export Scheme | QMS | Quality Management System |
| Defra | Department for Environment, Food and Rural Affairs | RCVS | Royal College of Veterinary Surgeons |
| DMHI | Dual-qualified Meat Hygiene Inspector (in red and white meat) | RD | Regional Director |
| DSMHI | Dual-qualified Senior Meat Hygiene Inspector (in red and white meat) | RPA | Rural Payments Agency |
| DVM | Divisional Veterinary Manager (Defra) | RVA | Regional Veterinary Adviser |
| EC | European Commission | SEAC | Spongiform Encephalopathy Advisory Committee |
| EFQM | European Foundation for Quality Management | SEERAD | Scottish Executive Environment and Rural Affairs Department |
| EHO | Environmental Health Officer | SCS | Senior Civil Service |
| EOVS | Employed OVS | SLA | Service Level Agreement |
| EU | European Union | SMHI | Senior Meat Hygiene Inspector |
| FSA | Food Standards Agency | SPMI | Senior Poultry Meat Inspector |
| FVO | Food and Veterinary Office (of the EC) | SRM | Specified Risk Material |
| GB | Great Britain | SVC | Standing Veterinary Committee |
| HACCP | Hazard Analysis and Critical Control Point | SVS | State Veterinary Service |
| HAS | Hygiene Assessment System | TB | Tuberculosis |
| HIA | Head of Internal Audit | TSE | Transmissible Spongiform Encephalopathy |
| HQ | Headquarters | TSO | Trading Standards Officer |
| HSE | Health & Safety Executive | UK | United Kingdom |
| liP | Investors in People | VetTec | The Veterinary and Technical Directorate of the MHS |
| IT | Information Technology | VLA | Veterinary Laboratories Agency |
| ISO | International Standards Organisation | VMD | Veterinary Medicines Directorate |
| | | VMHA | Veterinary Meat Hygiene Adviser |
| | | VPHA | Veterinary Public Health Association |
| | | VPHOD | Veterinary Public Health Operations Division (of the FSA) |
| | | WASK | Welfare of Animals (Slaughter or Killing) Regulations |

Annual Report & Accounts
2002/03
Protecting Public Health & Animal Welfare



ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

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FOREWORD TO THE ACCOUNTS

PREPARATION OF ACCOUNTS

The accounts have been prepared in accordance with a direction given by the Treasury under the Government Resources and Accounts Act 2000. The MHS operates under Government Accounting on a Gross Vote from FSA Class II Vote 4.

STATUTORY BACKGROUND

The MHS was established as an executive agency of MAFF (now the Department for Environment, Food and Rural Affairs - Defra) on 1 April 1995. Under powers conferred by the Food Standards Act 1999 the MHS transferred as an executive agency to the Food Standards Agency (FSA) with effect from 1 April 2000. The aim of the MHS is to safeguard public health and animal welfare through fair, consistent and effective enforcement of hygiene, inspection and welfare regulations in GB.

The MHS discharges the responsibilities of Ministers under a number of different Orders and Regulations including the Food Safety Act 1990 and the European Communities Act 1972. Costs of work undertaken on behalf of Government are recovered under the terms of individual SLAs with the FSA, Defra and its executive agencies. Some work is undertaken on a contract basis with plant operators. The charging regulations specify a range of costs which cannot be recovered through fees and charges. These are Vote funded.

PRINCIPAL ACTIVITIES

The principal functions of the MHS discharged on behalf of the FSA are:

- The enforcement of hygiene rules in licensed fresh meat premises.
- The provision of meat inspection and controls on health marking in licensed red meat, poultry meat and wild game meat premises.
- The enforcement of hygiene controls in meat products, minced meat and meat preparation plants, that are co-located with licensed slaughterhouses.
- The enforcement, in licensed fresh meat premises, of controls over Specified Risk Material (SRM) and other animal by-products, and controls prohibiting the sale of meat from cattle over 30 months of age.

The MHS also undertakes the following work on behalf of Defra, the Agriculture and Rural Affairs Department (ARAD) of the National Assembly for Wales, and the Scottish Executive Environment and Rural Affairs Department (SEERAD) under Service Level Agreements (SLAs):

- The enforcement of animal welfare at slaughter rules in licensed slaughterhouses.
- The collection and dispatch of samples for statutory veterinary medicines residue testing on behalf of the Veterinary Medicines Directorate (VMD).
- The collection and dispatch of samples for TSE examination and testing.
- Cattle identification checks as part of the Cattle Tracing System (CTS) at licensed slaughterhouses.
- Provision of export certification when required either by the importing country or by European Union (EU) legislation
- The enforcement, in licensed premises, of emergency controls related to animal disease outbreaks, including Foot and Mouth Disease (FMD).

The MHS also discharges the responsibilities of the Rural Payments Agency (RPA) under an SLA for:

- The provision of supervision, inspection and monitoring services for the Over Thirty Months Scheme (OTMS)

The MHS may also deliver services through SLAs or contracts, to other public or private sector customers, subject to the approval of the FSA, in accordance with its general aims and objectives, and HM Treasury guidelines on selling to a wider market.

FINANCIAL RESULTS

Net operating cost increased from £18.2m in 2001/02 to £25.1m in 2002/03 primarily due to the return to the more normal operating environment post Foot and Mouth Disease (FMD) indicating the full impact of the Maclean charging recommendations for the first time. Total income reduced by £3.4m to £56.2m primarily due to a reduction of £4.4m in Government income. Defra income reduced by £7.7m as work related to FMD decreased significantly from the previous year, although partly offset by the extension of TSE sampling programmes, but RPA income increased by £2.1m as a result of the recommencement of the Over Thirty Month Scheme. An increase in throughput following FMD contributed to higher charges to industry. Overall costs increased by £3.5m due mainly to higher staff costs (£2.7m), which resulted from pay inflation for 2002/03, increases in employed veterinary personnel, additional operational staff to meet increased TSE testing and additional administrative staff to improve efficiency, audit and consistency of enforcement in line with the Deloitte and Touche recommendations. Other administration costs increased by £0.8m due to a combination of higher temporary staff costs, increased corporate training and the recruitment of additional operational and administrative staff. Contractor costs increased by £0.7m due to additional inspection requirements for testing but Contract OVS costs were contained as a result of savings from retendering offsetting higher activity levels.

The MHS had two key financial targets:

- to operate within the agreed MHS resource budgets for 2002/03
- to operate within the total net cash management figure agreed with the FSA.

Performance against targets is shown at note 2 of the accounts.

PENSIONS

The MHS has two separate pension schemes. The majority of staff are members of the Local Government Pension Scheme (LGPS), a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pensions Fund Authority (LPFA). Other employees are members of the Principal Civil Service Pension Scheme (PCSPS). Further details of the MHS pension schemes are shown at note 18 of the accounts.

FIXED ASSETS

As at 1 April 2002 assets with a value of £635,000 were held by the MHS. These assets related to computer equipment, computer software (system specific), software licences, vehicles, furniture, fittings and office machinery. During the year to 31 March 2003, £282,000 was spent on tangible and intangible assets. After depreciation and disposals the net book value of fixed assets declined to £564,000.

SUPPLIER PAYMENT POLICY

It is Government policy that all departments and agencies should pay all invoices not in dispute within 30 days of receipt or the agreed contractual terms if otherwise specified. During 2002/03, 98% of all invoices were paid by their due date, an improvement in performance from 2001/02 of 97%.

MHS MANAGEMENT GROUP

Management control of the MHS is exercised through the MHS Management Group. Following an open competition, Jane Downes was appointed as Veterinary and Technical Director in November 2002, having previously held the position of Acting Director of Veterinary Services since October 2000. Jenny Sergeant joined as Director of IT in January 2003. Michael Greaves was appointed as Acting Director of Operations in January 2003, moving from his role as Project Director, Business Planning.

The members of the Management Group at 31 March 2003 were as follows:

- Christopher Lawson** - Chief Executive
- Jane Downes** - Veterinary and Technical Director
- Michael McEvoy** - Acting Director of Finance
- Monica Redmond** - Director of Human Resources

| | |
|------------------------|--|
| Michael Greaves | - Acting Director of Operations |
| Barry Gidman | - Regional Director (Central Region) |
| Paul Jackson | - Regional Director (South & West Region) |
| Ivor Pumfrey | - Project Director (Organisational Development) |
| Spencer Dawson | - Regional Director (Scotland) |
| Adrian Thorne | - Acting Regional Director (Wales) |
| Graham Lee | - Acting Regional Director (Operations) (North Region) |
| Penny Howarth | - Acting Regional Director (Business) (North Region) |
| Jenny Sergeant | - Director of IT |

During April 2003, Michael Greaves, previously Acting Director of Operations, was appointed as Director of Operations following an open competition. Paul Jackson (Regional Director, South and West) has left the MHS and Paul Wandless has been appointed as Acting Regional Director, South and West. Graham Lee (Acting Regional Director, Operations, North Region) has relinquished his responsibility upon appointment as an Area Manager, North Region and Penny Howarth has been appointed as overall Acting Regional Director, North Region.

The recruitment of members of the MHS Management Group is subject to the fundamental principle of selection on merit on the basis of fair and open competition, as required by the Civil Service Order in Council 1995. Details of the appointment and salary of the Chief Executive and Management Group members are shown at note 6 to the Accounts.

EQUAL OPPORTUNITIES

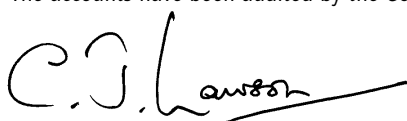
The MHS continues to encourage diversity within its workforce and has established an MHS Race Equality Scheme Working Group to consider ethnicity issues. As a result, the Equal Opportunities Policy has been reviewed to incorporate a wider range of diversity issues.

STAFF RELATIONS

Staff relations are of paramount importance in the MHS, particularly during the period of significant organisational change experienced in 2002/03. Speedy and effective communication with operational staff, who form around 90 per cent of the workforce, has traditionally been all the more difficult because of their dispersal around all licensed premises in Great Britain. Formal communication channels are maintained by regular meetings between MHS senior management and UNISON trade union representatives. Two regular publications, MHS News and MHS Update, provide staff with a steady stream of information on current and future developments. In addition, letters from the Chief Executive are sent to all staff on matters of particular interest to them, such as the future of meat inspection in the EC. Since January 2003, staff within a 50-mile radius of meetings of the MHS Management Group (which are held in different parts of the country) have been invited to attend an 'Open House' session at the end of the first day of each Management Group meeting when they have the opportunity to meet senior managers and take part in a question and answer session. A management conference was held in November 2002 for staff at middle manager level and above which gave the opportunity for the Chief Executive to brief staff on MHS plans. Other topics included the future of meat inspection, risk management and organisational development. A further MHS/UNISON Staff Attitudes Survey was conducted by MORI in autumn 2002. Plans are well advanced for the introduction of IT into many licensed premises, so bringing the benefits of electronic communication to front-line staff.

AUDITORS

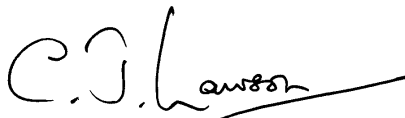
The accounts have been audited by the Comptroller and Auditor General. The audit certificate is on page 11 and 12.



C J Lawson
Chief Executive
25 June 2003

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

1. Under the Government Resources and Accounts Act 2000, the MHS is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the MHS during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the MHS, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. The Accounting Officer of the Food Standards Agency has designated the Chief Executive of the MHS as the MHS Accounting Officer with responsibility for preparing the MHS' accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the MHS Accounting Officer is required to comply with the Resource Accounting Manual prepared by HM Treasury, and in particular to:
 - a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. make judgements and estimates on a reasonable basis;
 - c. state whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
 - d. prepare the accounts on a going-concern basis.
5. The responsibilities of the MHS Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the MHS' assets, are set out in the MHS Accounting Officer's designation letter issued by the Food Standards Agency and in line with the responsibilities published in Government Accounting.



C J Lawson
Chief Executive
25 June 2003

STATEMENT ON INTERNAL CONTROL

As Accounting Officer for the MHS, I have responsibility for maintaining a sound system of internal control that supports the achievement of MHS policies, aims and objectives whilst safeguarding the public funds and MHS assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of MHS policies, aims and objectives, to evaluate the nature and extent of these risks and to manage them efficiently, effectively and economically. I expect to have the procedures, necessary to implement Treasury guidance, fully in place by March 2004. This takes account of the time needed to fully embed all the processes that the MHS has agreed should be established, and to assess their robustness.

As Accounting Officer I have responsibility for reviewing the system of internal control. The MHS has completed the vast majority of actions identified in last year's Statement on Internal Control. Any uncompleted actions have been included in the list of actions that the MHS intends to undertake during 2003/04.

The MHS already has in place many of the key elements of a sound system of internal control including:

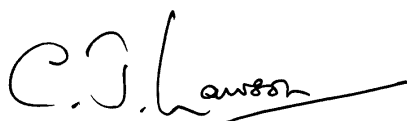
- The Chief Executive's monthly meeting with HQ and Regional Directors (the MHS Management Group) which acts as the "Management Board" of the MHS;
- Internal Audit arrangements (provided by the Audit Division of Defra), including a risk-based audit programme linked to the strategic risks of the MHS, which complies with Government standards;
- Regular reports from Internal Audit which include an independent opinion of the adequacy and effectiveness of the MHS's system of internal control together with any recommendations for improvement;
- Independent operational audits undertaken by the FSA, which provide assurance on compliance with the MHS Operations Manual;
- An Audit & Risk Committee to advise the Accounting Officer, which meets at least three times a year, and comprises a non-executive chair and two other non-executive members;
- A business and financial planning process, that includes input at workshops from staff throughout the MHS, which explicitly link business objectives and risks; and organisational self-assessment against the European Foundation for Quality Management Excellence Model;
- Regular performance monitoring by the MHS Management Group of both business and financial planning, including key performance indicators;
- Maintenance of a register of corporate risks which identifies contingencies and countermeasures with clear ownership of risks and actions;
- Formal regular reviews of the risk register by the MHS Management Group;
- Annual statements of internal control from Risk Owners on the reporting processes and actions they have put in place to manage their risks;
- Raising awareness of risk management with managers by including a session at the MHS National Conference in November 2002;

- Establishment of an MHS verification and audit team to provide assurance on technical compliance;
- Establishment of a procurement team and procurement strategy;
- Risk management plans for all major MHS projects operating under PRINCE 2 principles.

In addition to the actions mentioned above, in the coming year the MHS intends to:

- Develop a three year strategic plan (by Dec 2003);
- Clarify responsibilities by developing a management framework which explicitly links MHS objectives and corporate targets, with directorate, team and individual objectives and the risks to achieving these objectives (by Dec 2003);
- Establish directorate and local business planning processes (by Sept 2003);
- Receive advice on the adequacy of corporate governance, risk management and internal control arrangements from the Audit & Risk Committee to the Accounting Officer (2003/04);
- Delegate responsibilities for identifying and managing risks to Senior and Middle managers in 2003/04 (by Sept 2003);
- Implement a training programme on risk identification, evaluation and control for Senior / Middle managers (by Dec 2003);
- Test contingency plans by holding exercises (by Mar 2004).

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the MHS, who have responsibility for the development and maintenance of the internal control framework, operational audits undertaken by the FSA and the MHS verification and audit team, comments made by the external auditors in their management letter and other reports.



C J Lawson
Chief Executive
25 June 2003

AUDIT CERTIFICATE

MEAT HYGIENE SERVICE

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 52 to 65 under the Government Resource and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 55 to 56.

Respective responsibilities of the MHS, the Chief Executive and Auditor

As described on page 7, the MHS and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Resource and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The MHS and Chief Executive are also responsible for the preparation of the other contents of the Annual Report.

My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resource and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the MHS has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 48 to 49 reflects the MHS's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the MHS and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the MHS's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Meat Hygiene Service at 31 March 2003 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resource and Accounts Act 2000 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
25 June 2003

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

OPERATING COST STATEMENT

for the year ended 31 March 2003

| | Note | 2002/2003 £'000 | 2001/2002 £'000 |
|-----------------------------------|------|----------------------|----------------------|
| Administration Costs | | | |
| Staff costs | 5 | 44,841 | 42,108 |
| Other administration costs | 7 | <u>36,375</u> | <u>35,617</u> |
| Gross administration costs | | 81,216 | 77,725 |
| Operating income | 4 | <u>(56,162)</u> | <u>(59,590)</u> |
| Net operating cost | | <u>25,054</u> | <u>18,135</u> |
| | | | |
| Grant funding received from FSA | * | (19,500) | (18,500) |
| | | | |
| Net (surplus)/deficit | | <u>5,554</u> | <u>(365)</u> |

All activities are continuing activities.

* The allocation from the FSA to meet resources for 2002/03 amounted to £23.6m, of which £19.5m cash was drawn down by the MHS.

STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2003

| | Note | 2002/2003 £'000 | 2001/2002 £'000 |
|--|------|-----------------------|--------------------|
| Net surplus/(deficit) | | (5,554) | 365 |
| | | | |
| Unrealised surplus on the revaluation of tangible fixed assets | 9 | 1 | 2 |
| | | | |
| Total recognised loss relating to the year | | <u>(5,553)</u> | <u>367</u> |

The notes on pages 55 to 65 form part of these accounts.

BALANCE SHEET

as at 31st March 2003

| | Note | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|------|------------------------|------------------------|
| Fixed assets | | | |
| Tangible assets | 9 | 544 | 594 |
| Intangible assets | 10 | <u>20</u> | <u>41</u> |
| | | 564 | 635 |
| Current assets | | | |
| Debtors | 12 | 6,260 | 7,611 |
| Cash at bank and in hand | 17 | <u>4,946</u> | <u>6,662</u> |
| Total current assets | | <u>11,206</u> | <u>14,273</u> |
| Current Liabilities | | | |
| Creditors: amounts falling due within one year | 13 | <u>(7,121)</u> | <u>(4,867)</u> |
| Total current liabilities | | <u>(7,121)</u> | <u>(4,867)</u> |
| Net current assets | | | |
| Total assets less current liabilities | | 4,085 | 9,406 |
| Provisions for liabilities and charges | 15 | <u>(235)</u> | <u>(332)</u> |
| Total assets less total liabilities | | <u>4,414</u> | <u>9,709</u> |
| Taxpayers Equity | | | |
| Reserves | | | |
| General fund | 16 | 4,387 | 9,689 |
| Revaluation reserve | 16 | <u>27</u> | <u>20</u> |
| | | <u>4,414</u> | <u>9,709</u> |



C J Lawson
Chief Executive
25 June 2003

The notes on pages 55 to 65 form part of these accounts.

CASH FLOW STATEMENT

for the year ended 31 March 2003

| | Note | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|--------|------------------------|------------------------|
| Net cash outflow from operating activities | 14 | (1,486) | 4,184 |
| Capital expenditure and financial investment | | (230) | (287) |
| Increase/(decrease) in cash | 17 | <u>(1,716)</u> | <u>3,897</u> |
| Reconciliation of operating cost to operating cash flows | | | |
| Net surplus/(deficit) | | (5,554) | 365 |
| Adjustment for non cash transactions | | 560 | 1,133 |
| Adjustments for movement in working capital other than cash | | 3,605 | 3,040 |
| Adjust for transfer from provisions | | (97) | (354) |
| Net cash inflow/(outflow) from operating activities | | <u>(1,486)</u> | <u>4,184</u> |
| Analysis of capital expenditure and financial investment | | | |
| Purchases of fixed assets | 9 & 10 | (282) | (359) |
| Proceeds of disposal of fixed assets | | 52 | 72 |
| Net cash outflow from investing activities | | <u>(230)</u> | <u>(287)</u> |
| Analysis of financing | | | |
| Increase/(decrease) in cash | | <u>(1,716)</u> | <u>3,897</u> |
| Net cash requirement | | <u>(1,716)</u> | <u>3,897</u> |

The notes on pages 55 to 65 form part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

1 ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of tangible fixed assets at their value to the business by reference to their current cost.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of HM Treasury Resource Accounting Manual.

b) Tangible and Intangible fixed assets

Individual tangible fixed assets with a purchase cost in excess of £2,000, except for computers, printers, laptops, or where procured for major capital projects are capitalised and are revalued annually using appropriate indices, provided by the National Statistics Office, to the net replacement cost.

Depreciation is provided on a straight line basis, calculated on the revalued amounts, to write off assets, less any estimated residual balance, over their estimated useful lives. The useful lives of tangible and intangible assets have been estimated as follows:

Tangible assets:

| | |
|-------------------------------------|-----------|
| Computer equipment | 4 years |
| Office machinery | 7 years |
| Furniture, fixtures and fittings | 7 years |
| Vehicles | 4 years |
| Computer Software (system specific) | 6/7 years |

Intangible assets:

| | |
|-------------------|---------|
| Software licenses | 5 years |
|-------------------|---------|

Revaluation surpluses and deficits arising from temporary changes in value are credited or charged to the revaluation reserve. Permanent diminutions in value are charged to the operating cost statement except to the extent that a revaluation surplus exists in respect of the same asset.

Realised revaluation surpluses are retained within the revaluation reserve.

Profits or losses arising on the disposal of tangible fixed assets are calculated by reference to the carrying value of the asset.

c) Income

Income represents total accrued income for the year, and is shown net of Value Added Tax.

d) Operating leases

Rentals under operating leases are charged to the operating cost statement over the term of the lease.

e) Notional charges

Costs for interest on capital, external audit and rent for the South and West Regional Office are charged on a notional basis and included in the accounts.

Notional insurance costs are excluded from the published accounts but included in charging fees.

Actual losses are charged to the operating cost statement.

Notional costs are charged to the operating cost statement and credited as a movement on the general fund.

f) Pension costs

Pension costs are charged to the operating cost statement at the rates recommended by the relevant actuary so as to spread the total cost over the employees' working lives.

g) Value Added Tax

Value Added Tax on purchases, to the extent that it is recoverable, is carried as a debtor in the balance sheet. Irrecoverable Value Added Tax is charged to the operating cost statement when incurred. The MHS was registered during 2002/2003 for Value Added Tax under the FSA registration.

h) Cash at Bank

PGO bank balances continue to be shown as current assets or liabilities.

i) Reserves/Provisions

Provisions are recognised where there is a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount.

2 KEY PERFORMANCE TARGETS

The MHS has been set two high level financial performance targets:

(i) Target: To operate within the agreed MHS resource budgets for 2002/03

| | Original Budget £'000 | Supplementary Budget £'000 | Actual £'000 |
|----------------------|-----------------------------|----------------------------------|-----------------|
| Administration Costs | (78,540) | (81,333) | (81,216) |
| Operating Receipts | <u>55,300</u> | <u>56,273</u> | <u>56,162</u> |
| Net Operating Cost | (23,240) | (25,060) | (25,054) |
| Notional Insurance | (360) | (360) | (225) |
| | (23,600) | (25,420) | (25,279) |
| Capital | <u>(315)</u> | <u>(300)</u> | <u>(282)</u> |

The target to operate within the original resource budget has not been met. However, the MHS contained its additional expenditure in-line with that authorised by the FSA.

(ii) Target: To operate within the total net cash management figure set by the FSA

| | Original Budget £'000 | Supplementary Budget £'000 | Actual £'000 |
|-----------------------------|-----------------------------|----------------------------------|---------------------|
| Net Operating cost | (23,240) | (25,060) | (25,054) |
| Capital | (315) | (300) | (282) |
| Fixed Asset Disposals(NBV) | - | - | 52 |
| Non cash transactions | 1,049 | 569 | 560 |
| Movement in Working Capital | - | - | 3,605 |
| Transfer from Provisions | - | - | (97) |
| Net | <u>(22,506)</u> | <u>(24,791)</u> | <u>(21,216)</u> |

The target to operate within the total net cash management figure has been met.

3 RELATED PARTY TRANSACTIONS

The MHS is an executive agency of the FSA which is regarded as a related party.

During the year, the MHS has had a significant number of material transactions with the FSA, Defra and the RPA.

None of the MHS management group, key MHS managerial staff or related parties have undertaken any material transactions with the MHS during the year.

4 INCOME

Income was derived entirely within GB from the following sources:

| | 2002/2003 | | 2001/2002 | |
|--------------------------|--------------|---------------|--------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Industry Income | | 21,517 | | 20,601 |
| Government Income | | | | |
| FSA Income | 21,311 | | 20,154 | |
| Defra Income | 6,392 | | 14,070 | |
| RPA Income | <u>6,684</u> | 34,387 | <u>4,611</u> | 38,835 |
| Other Income | | 258 | | 154 |
| TOTAL INCOME | | <u>56,162</u> | | <u>59,590</u> |

Segmental Analysis :

| | | |
|----------|---------------|---------------|
| England | 44,283 | 47,332 |
| Scotland | 7,649 | 8,123 |
| Wales | 4,230 | 4,135 |
| | <u>56,162</u> | <u>59,590</u> |

5 STAFF COSTS

| | 2002/2003 | 2001/2002 |
|--|---------------|---------------|
| a) Staff costs for the year comprised: | £'000 | £'000 |
| Wages and salaries | 37,833 | 35,906 |
| Social security costs | 2,716 | 2,798 |
| Other pension costs (note 18) | <u>4,292</u> | <u>3,404</u> |
| | <u>44,841</u> | <u>42,108</u> |

b) The average full time equivalent number of people (excluding contractors) employed by the MHS during the year by function, were as follows:

| | 2002/2003 | 2001/2002 |
|--|--------------|--------------|
| Meat Hygiene Inspectors and Meat Technicians | 1,343 | 1,310 |
| Official Veterinary Surgeons | 56 | 41 |
| Managerial and administrative staff | <u>198</u> | <u>180</u> |
| | <u>1,597</u> | <u>1,531</u> |

In addition, an average full time equivalent of 65 Contract Meat Hygiene Inspectors and 349 Official Veterinary Surgeons were used during the year, compared with 37 and 363 respectively for 2001/2002 (Costs shown in Note 7).

c) Staff costs analysed by function comprise:

| | 2002/2003 | 2001/2002 |
|---------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Administrative staff costs | 5,582 | 4,806 |
| Inspection and veterinary staff costs | <u>39,259</u> | <u>37,302</u> |
| | <u>44,841</u> | <u>42,108</u> |

6 SENIOR EMPLOYEES REMUNERATION

| | Salary (as defined below) £'000 | Real increase in pension at age 60 £'000 | Total accrued pension at age 60 at 31 March 2003 £'000 |
|--------------------------------|--|---|--|
| Chris Lawson - Chief Executive | 90 - 95 | 2.5 - 5.0 | 30 - 35 |
| Jane Downes | 60 - 65 | 0 - 2.5 | 5 - 10 |
| Adrian Thorne | 55 - 60 | 0 - 2.5 | 5 - 10 |
| Michael McEvoy | | consent to disclosure withheld | |
| Monica Redmond | | consent to disclosure withheld | |
| Michael Greaves | | consent to disclosure withheld | |
| Graham Lee | | consent to disclosure withheld | |
| Penny Howarth | | consent to disclosure withheld | |
| Barry Gidman | | consent to disclosure withheld | |
| Paul Jackson | | consent to disclosure withheld | |
| Ivor Pumfrey | | consent to disclosure withheld | |
| Spencer Dawson | | consent to disclosure withheld | |
| Jenny Sergeant | | consent to disclosure withheld | |

The salaries of the Management Group, including the Chief Executive, includes gross salary and bonus.
 None of the Management Group who consented to the disclosure of their salary received benefits in kind.
 The Chief Executive is a member of the Principal Civil Service Pension Scheme. Contributions were paid by the MHS to the scheme at the rate of 18.5%.

All other members of the Management Group, except for Michael McEvoy, Barry Gidman, Jenny Sergeant and Jane Downes are members of the Local Government Pension Scheme to which the MHS makes contributions at the rate of 14.3%.

b) The remuneration (excluding employer pension fund contributions) of the Management Group fell within the following ranges:

| | 2002/2003 | 2001/2002 |
|--------------------|-----------|-----------|
| £10,001 to £15,000 | 1 | - |
| £20,001 to £25,000 | - | 1 |
| £30,001 to £35,000 | 1 | 1 |
| £45,001 to £50,000 | 1 | - |
| £50,001 to £55,000 | 1 | 1 |
| £55,001 to £60,000 | 3 | 6 |
| £60,001 to £65,000 | 2 | 1 |
| £65,001 to £70,000 | 2 | 1 |
| £70,000 to £75,000 | 1 | - |
| £90,001 to £95,000 | 1 | 1 |

The Management Group comprises thirteen members and includes the Chief Executive.

c) The banding of other higher paid MHS staff with salaries greater than £40,000 is listed below.

| | 2002/2003 | 2001/2002 |
|--------------------|-----------|-----------|
| £40,001 to £50,000 | 35 | 31 |
| £50,001 to £60,000 | - | 2 |
| £60,001 to £70,000 | 1 | - |

d) The members of the Meat Hygiene Advisory Committee as at 31 March 2003 received no remuneration from the MHS.

7 OTHER ADMINISTRATION COSTS

| | 2002/2003 | | 2001/2002 | |
|---|-----------|---------------|--------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Rentals under operating leases: | | | | |
| Other operating leases | | 44 | | 47 |
| Non-cash items: | | | | |
| Depreciation | 308 | | 372 | |
| Profit on disposal of fixed assets | (22) | | (26) | |
| Cost of capital charge | 214 | | 711 | |
| Rent and management services | 8 | | 10 | |
| Auditors remuneration and expenses | 30 | | 40 | |
| Provision for early retirement costs | <u>14</u> | 552 | <u>(162)</u> | 945 |
| Operational costs | | 1,897 | | 1,448 |
| OVS and MHI contract costs | | 26,151 | | 25,460 |
| Accommodation costs | | 1,167 | | 996 |
| Staff overheads | | 4,115 | | 3,337 |
| Administration costs | | 1,901 | | 1,881 |
| I T costs | | 565 | | 591 |
| Provision for bad debts | | 2 | | 889 |
| Bad debts (recovered) / written off | | | | 39 |
| Interest received | | (5) | | |
| Total Other Administration Costs | | <u>36,375</u> | | <u>35,617</u> |

8 ANALYSIS OF NOTIONAL CHARGES

Notional charges, defined as costs not subject to invoice and payment, comprise the following:

| | 2002/2003 | | 2001/2002 | |
|------------------------------|-----------|------------|-----------|------------|
| | £'000 | £'000 | £'000 | £'000 |
| Rent and management services | | 8 | | 10 |
| External audit fee | | 30 | | 40 |
| Cost of capital charge | | <u>214</u> | | <u>711</u> |
| | | <u>252</u> | | <u>761</u> |

The cost of capital charge is calculated in accordance with the Treasury guidelines at a rate of 6 per cent per annum on the monthly average net assets employed.

9 TANGIBLE FIXED ASSETS

| | Computer equipment & Software £'000 | Office equipment £'000 | Furniture & fittings £'000 | Motor vehicles £'000 | Total £'000 |
|----------------------------------|---|------------------------------|----------------------------------|----------------------------|----------------|
| Cost or valuation | | | | | |
| At 1 April 2002 | 802 | 124 | 130 | 457 | 1,513 |
| Additions in Year | 192 | 3 | - | 82 | 277 |
| Surplus (deficit) on revaluation | (34) | 5 | 4 | (5) | (30) |
| Disposals in the year | <u>(265)</u> | <u>-</u> | <u>-</u> | <u>(167)</u> | <u>(432)</u> |
| At 31 March 2003 | <u>695</u> | <u>132</u> | <u>134</u> | <u>367</u> | <u>1,328</u> |
| Accumulated depreciation | | | | | |
| At 1 April 2002 | 545 | 75 | 123 | 176 | 919 |
| Charge for the year | 149 | 13 | 3 | 94 | 259 |
| Adjustment on revaluation | (20) | 4 | 4 | (2) | (14) |
| Disposals in the year | <u>(265)</u> | <u>-</u> | <u>-</u> | <u>(115)</u> | <u>(380)</u> |
| At 31 March 2003 | <u>409</u> | <u>92</u> | <u>130</u> | <u>153</u> | <u>784</u> |
| Net book value | | | | | |
| At 1 April 2002 | <u>257</u> | <u>49</u> | <u>7</u> | <u>281</u> | <u>594</u> |
| At 31 March 2003 | <u>286</u> | <u>40</u> | <u>4</u> | <u>214</u> | <u>544</u> |

10 INTANGIBLE FIXED ASSETS

| | Software Licences £'000 |
|---------------------------------|----------------------------|
| Cost or valuation | |
| At 1 April 2002 | 168 |
| Additions in the year | 5 |
| Deficit on revaluation | <u>(8)</u> |
| At 31 March 2003 | <u>165</u> |
| Accumulated amortisation | |
| At 1 April 2002 | 127 |
| Charge for the year | 25 |
| Adjustment on revaluation | <u>(7)</u> |
| At 31 March 2003 | <u>145</u> |
| Net book value | |
| At 1 April 2002 | <u>41</u> |
| At 31 March 2003 | <u>20</u> |

11 DEPRECIATION

| | 2002/2003 £'000 | 2001/2002 £'000 |
|---|--------------------|--------------------|
| Depreciation charge for the year | 284 | 345 |
| Permanent diminution in value on computer equipment, software licences and vehicles | 45 | 74 |
| Revaluation adjustment | (21) | (47) |
| | <u>308</u> | <u>372</u> |

12 DEBTORS

| | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---------------------------|---------------------------|
| Amounts falling due within one year: | | |
| Trade debtors net of provision for bad and doubtful debts | 4,309 | 5,100 |
| Owed by Government | 748 | 1,485 |
| VAT recoverable (net) | 820 | 804 |
| Other debtors | 93 | 88 |
| Prepayments | 52 | 79 |
| | <u>6,022</u> | <u>7,556</u> |
| Amounts falling due beyond one year: | | |
| Other debtors | 8 | 22 |
| Trade debtors | 185 | 0 |
| Prepayments | 25 | 33 |
| | <u>6,260</u> | <u>7,611</u> |

Other debtors falling due beyond one year relate to employee car loans. These loans are repayable within five years. Prepayments falling due beyond one year relate to software maintenance covering the next three years. Trade debtors have agreed to settle over the next four years.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---------------------------|---------------------------|
| Amounts owed to contractors providing veterinary services | 2,309 | 2,430 |
| Overtime payments to staff | 580 | 558 |
| Trade creditors | 558 | 229 |
| Accruals | 1,604 | 1,578 |
| Other creditors | 2,070 | 72 |
| | <u>7,121</u> | <u>4,867</u> |

14 RECONCILIATION OF OPERATING RESULT TO NET CASHOUTFLOW FROM OPERATING ACTIVITIES

| | 31 March 2003 £'000 | 31 March 2002 £'000 |
|---|---------------------------|---------------------------|
| Net Surplus/(Deficit) | (5,554) | 365 |
| Depreciation charge for the year (note 11) | 308 | 372 |
| Notional charges (note 8) | 252 | 761 |
| Foot and Mouth provision | (48) | (130) |
| Early retirement provision | (49) | (224) |
| Decrease in debtors | 1,351 | 3,435 |
| Increase/(decrease) in creditors | <u>2,254</u> | <u>(395)</u> |
| Net cash inflow/(outflow) from operating activities | <u>(1,486)</u> | <u>4,184</u> |

15 RECONCILIATION OF THE MOVEMENT IN PROVISIONS

| | Early Retirement Provision £'000 | Foot and Mouth Provision £'000 | Total £'000 |
|-----------------------------|--|--------------------------------------|----------------|
| As at 1 April 2002 | 284 | 48 | 332 |
| Arising during year | 14 | - | 14 |
| Utilised during year | (63) | - | (63) |
| Reversed unused during year | - | (48) | (48) |
| As at 31 March 2003 | <u>235</u> | <u>0</u> | <u>235</u> |

The Early Retirement Provision represents the full additional costs of benefits beyond the normal benefits provided by the LPGS and PCSPS (Note 18) in respect of employees who retire early by paying the required amounts annually to the pension funds over the period between early retirement and normal retirement date. The MHS provides in full when the early retirement programme becomes binding.

The Foot and Mouth Provision is no longer required.

16 RECONCILIATION OF THE MOVEMENT IN RESERVES

| | General Fund £'000 | Revaluation Reserve £'000 | Total £'000 |
|------------------------------|--------------------------|---------------------------------|----------------|
| Arising at 1 April 2002 | 9,689 | 20 | 9,709 |
| Funding movement in the year | 252 | - | 252 |
| Net (deficit) | (5,554) | - | (5,554) |
| Surplus on revaluation | - | 7 | 7 |
| As at 31 March 2003 | <u>4,387</u> | <u>27</u> | <u>4,414</u> |

The MHS is an executive agency of the FSA. The General Fund represents the net assets vested in the MHS at 1 April 1995 (stated at historical cost less accumulated depreciation at that date), the surplus or deficit generated from notional charges and trading activities, and the Vote funding arising since that date.

17 ANALYSIS OF CHANGES IN CASH & CASH EQUIVALENTS DURING THE YEAR

| | 31 March 2002 £'000 | Cashflow £'000 | 31 March 2003 £'000 |
|--------------------------|------------------------|-------------------|------------------------|
| Cash at bank and in hand | <u>6,662</u> | (1,716) | <u>4,946</u> |
| | <u>6,662</u> | (1,716) | <u>4,946</u> |

18 PENSION ARRANGEMENTS

The majority of employees of the MHS are members of the LGPS, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by London Pensions Fund Authority. For the year ended 31 March 2003, contributions of £3.3m were paid to the fund at rates determined by the Actuary appointed to the fund. For the year ended 31 March 2003, this rate was 14.3% of pensionable remuneration:

The most recent valuation of this scheme was completed as at 31 March 2001 using a combination of the projected unit method and the attained age method.

This valuation concluded that, although the fund overall remains fully funded, there has been some deterioration due to :

- changes in market conditions, particularly the expectation of lower investment returns.
- improving life expectancy, both for current and prospective pensioners.

The MHS was advised that as at 31 March 2001 its Fund deficit was £3,558,000 and as a consequence, with effect from 1 April 2002, the contribution rate was increased to 14.3%.

Other employees are members of the PCSPS which is an unfunded pension scheme. The cost of pension liabilities is met from the Superannuation Vote. For the year ended 31 March 2003, contributions of £990,000 were paid by the MHS to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. For the year ended 31 March 2003, these rates varied between 12% and 18.5% depending on the grade of the relevant employee.

In total £4,250,000 (£3,260,000 and £990,000 above) was paid out in 2002/2003 for pension costs. In 2001/2002, £3,366,000 (£2,763,000 and £603,000) was paid out as pension costs.

19 CAPITAL COMMITMENTS

At the end of the year, there were no commitments for the purchase of capital items.

There were commitments to the value of £32,000 at the end of the prior year.

20 COMMITMENTS UNDER OPERATING LEASES

Commitments under operating leases to pay rentals during the year following the year of these accounts are given below, analysed according to the period in which the lease expires.

| | 2002/2003 £'000 |
|---------------------------------|--------------------|
| Other | |
| Expiry within one year | 14 |
| Expiry within two to five years | 13 |
| Expiry thereafter | <u>-</u> |
| | <u>27</u> |

21 CONTINGENT LIABILITIES

There are a number of small claims being made by plant operatives and MHS employees for injuries sustained in the workplace or unfair dismissal. These cases will be defended and as yet the outcome is not known but could cost approximately £198,000. No provision has been made in the accounts this year.

There was no provision at the end of the prior year.

22 LOSSES AND SPECIAL PAYMENTS

Total Losses and Special Payments amounted to £102,000 relating to 23 cases (£277,000 relating to 46 cases in 2001/02).

The majority of the cases refer to compensation and personal injury claims.

23 POST BALANCE SHEET EVENTS

There were no post balance sheet events.

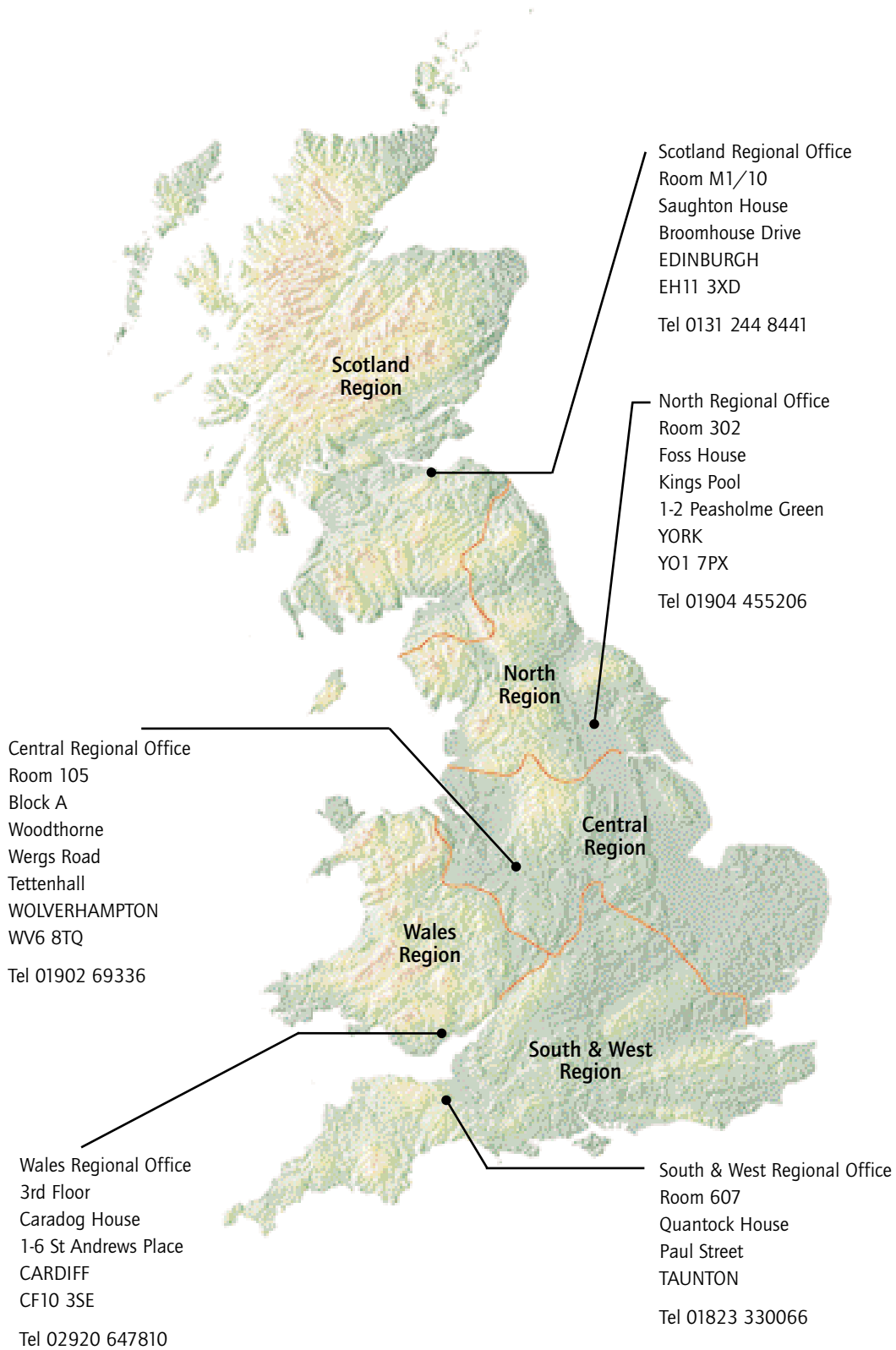
24 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

MHS has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. MHS also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency rate risk.

MEAT HYGIENE SERVICE
ACCOUNTS DIRECTION GIVEN BY THE TREASURY
IN ACCORDANCE WITH SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000

1. When preparing its accounts for the financial year ended 31 March 2003 and subsequent financial years, the Meat Hygiene Service shall comply with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by H M Treasury which is in force for the financial year for which the accounts are prepared.
2. The accounts of the Meat Hygiene Service shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs as at the year-end, and of the net operating costs, recognised gains and losses, and cash flows for the financial year; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
3. Compliance with the requirements of the Resource Accounting Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the Resource Accounting Manual is inconsistent with the requirement to give a true and fair view the requirements of the Resource Accounting Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.
4. In the notes to the accounts, the Meat Hygiene Service will report its income by country, namely for England, Scotland and Wales.
5. The Meat Hygiene Service is not required to provide the historical cost information described in paragraph 33(3) of Schedule 4 to the Companies Act, or a note showing historical cost profits and losses as described in FRS3.
6. This Direction replaces the Direction dated 10 May 2002.

DAVID LOWETH
Head of the Central Accountancy Team, Her Majesty's Treasury
9 April 2003





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