

## Operational transformation delivery programme

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### 1. Summary

1.1 This is the first paper to the FSA Board covering the Operational Transformation Delivery Programme (OTDP) which has been established to modernise those areas of Official Controls delivered directly by the FSA (as a Competent Authority). This covers meat, dairy and wine inspection, although given the relative scale, most of the proposed reform activity to date has been focused on the meat sector. The paper sets out the context to this reform programme and describes the strategic intent, building upon a workshop with FSA Board members held in October 2019.

1.2 The Board is asked to:

- **Consider** progress and the programme management arrangements now in place
- **Agree** the need to move to a proportionate, risk-based approach to the FSA delivery of Official Controls, as an Excellent, Accountable, Modern Regulator through the programme activity outlined within the paper, and;
- **Consider** how the Board wishes to measure and support the Programme – whether through regular updates, testing the strategy, alignment of outcomes etc.

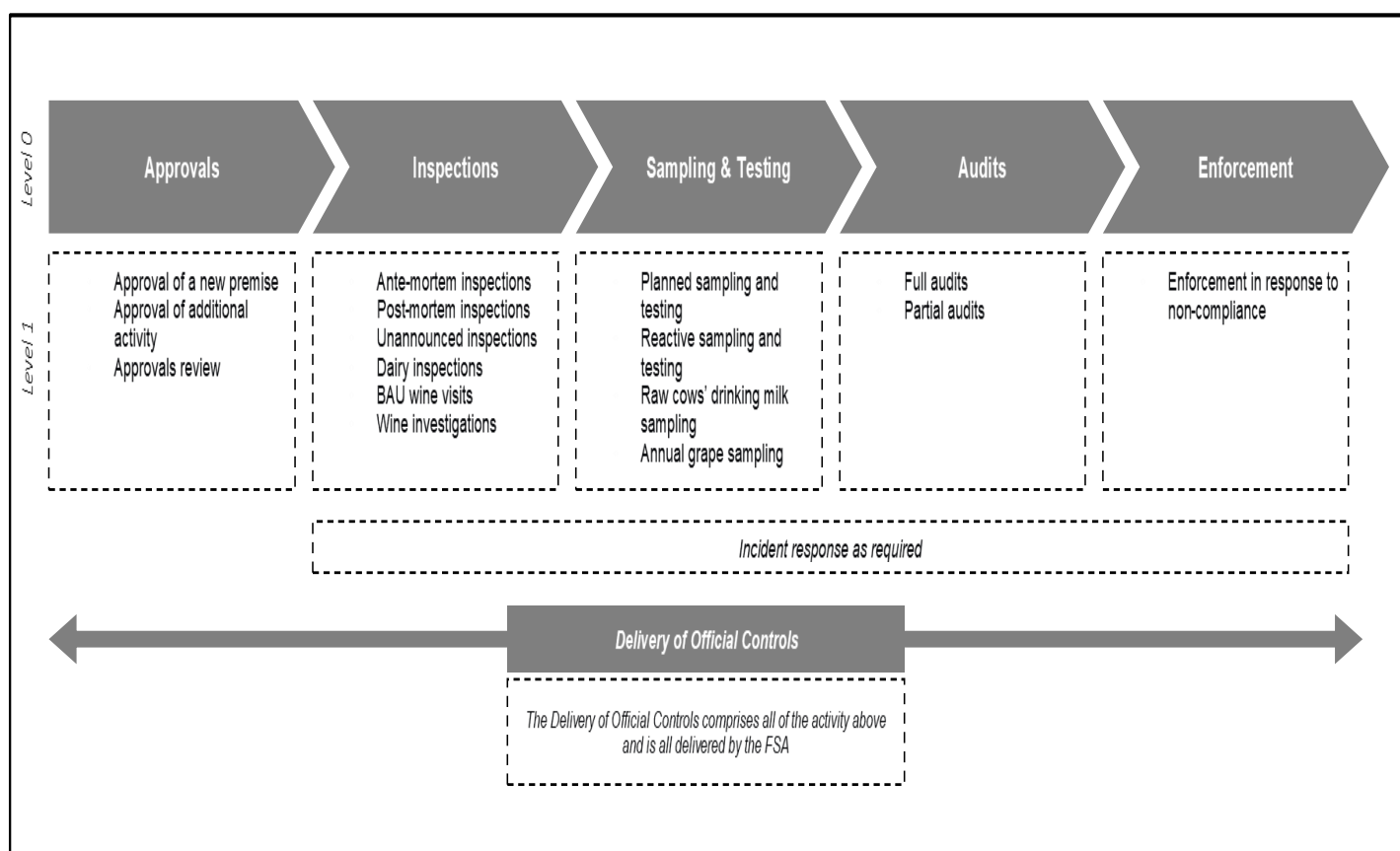
### 2. Context

2.1 In 2018 there were around 1150 approved meat establishments in the UK, with an annual market value of £4bn. The FSA carried out Ante-Mortem Inspection on 20m animals and 1bn poultry. We also undertook over 800 full audits, over 500 partial audits and around 1000 unannounced inspections. This work is undertaken by Official Veterinarians (OVs) and Official Auxiliaries (OAs) – sometimes referred to as Meat Hygiene Inspectors (MHIs).

2.2 The current Operating Model for the delivery of Official Controls (see **Figure 1**, below) can be split into five key areas (see **Annex A** for more detail and an indication of the current complexity):

1. Approvals
2. Inspection
3. Sampling & Testing
4. Audit
5. Enforcement

Figure 1 – Diagram with the current elements of FSA Official Controls delivery



2.3 The OTDP seeks to modernise those areas of Official Controls delivered directly by the FSA (as a Competent Authority) and the programme has been formed building on earlier initiatives, including the Meat RoF strand, the joint FSA/Food Standards Scotland (FSS) Cutting Plant & Cold Store review of 2018, and the more recent and more broadly based analysis within the Strategic Review of Official Controls (SROC) which was concluded in April 2019.

2.4 These earlier initiatives have been progressed under the umbrella of the Regulating our Future (RoF) programme. To help give this activity greater focus and as part of the refreshing of the RoF programme, a separate programme with separate governance arrangements has been created for the transformation of Operations. FSS are invited members of the new programme board and are also invited to attend the supporting governance meetings and programme workshops.

2.5 Research has also been undertaken into similar food regulatory bodies overseas, and where we have found evidence of a similar scale of reform – most notably for comparison in New Zealand – this has provided valuable

insight into both the challenges and benefits. This research will be fed into our ongoing plans.

### 3. Strategic intent

#### (a) Drivers for Change

3.1 Whilst the current model is not broken and continues to ensure the required food hygiene and animal welfare controls are comprehensively delivered, there are some aspects that could be improved in a reformed Operating Model:

- **Accountability** – We should redress the balance of accountability between industry and the FSA. We can develop a more risk and compliance-based regime, by increasing the responsibility of food business operators (FBOs) in the production of safe food. This could be underpinned by a set of rules, standards & guidance for compliance. We can clarify that in our position as the regulator, we expect compliance by default, and develop a clear set of sanctions and incentives to be applied to those who fail to comply.
- **Value for Money** – Is the public subsidy for the meat industry sustainable? The FSA currently recovers an average of 57% of costs. Can we develop a more robust, efficient and sustainable Operating Model that optimises delivery of our Regulatory Assurance function? We can review our charging regime alongside the current Operating Model and against the reformed Operating Model that emerges, but ultimately the future of the current discount policy remains outside of our remit as the regulator.
- **Technology** – Higher processing speeds and increased automation presents both opportunities and challenges. Implementation of technological solutions that remove waste, reduce variation and improve compliance with food standards is required to demonstrate a measurable shift in administrative time, improved compliance and a reduction in public health risk.
- **Responsiveness** – Consumer needs are becoming more sophisticated and fragmented. We need to develop improved working practices with industry to ensure the FSA is aware of changes in national and international food production and can plan for these. The Operating Model needs to be sufficiently agile to respond to emerging needs and to food-based incidents.
- **Trust and Food Safety** – Consumer confidence in food safety needs to be maintained and improved. We should seek to develop new assurance protocols, exploring the opportunities for data sharing and publication of compliance data to generate increased trust in the industry, which could also benefit future export trade.
- **EU Exit** – Our exit from the EU could change the balance of production between the export and domestic markets, as well as the regulations we are governed by (Official Control Regulations, 625/2017). We need to develop an Operating Model that maximises opportunities available to us through 627/2017 and to support international trade.

- **Resource Availability** – any concerns about the future supply of OV and OA resource could be mitigated by developing an Operating Model which is less resource intensive and changes the current demand.

#### **(b) Programme Ambition / Guiding Principles**

3.2 In response to the identified drivers, we aim to modernise and reform our delivery of Official Controls through the development of a Future Operating Model, seeking to achieve the following:

- An outcome-focused and risk-based model which seeks to drive industry-owned compliance, with a proportionate and graduated response to the levels of oversight of verification and assurance applied.
- Application of the Operating Model will be guided by segmentation of FBOs into categories dependent on the species type, and the levels of risk and compliance by FBOs, which will in turn reflect the costs incurred and the charges for Official Controls applied to FBOs.
- The new Operating Model will encourage and enable a culture in which FBOs act responsibly to assure safe food production, will promote innovation and continuous improvement and encourage the use of technology to improve production methods and support data collection.
- The new Operating Model delivery model is both efficient and effective.
- Improved collaboration and ways of working with professional bodies to recognise the accountability of industry in the production of safe food, and to help support FBOs in achieving this through the development of clear and transparent guidance and instructions.
- The new Operating Model will support the assurances necessary for both domestic consumption and for international trade requirements after the UK has left the EU.

#### **4. Implementation**

4.1 We plan to develop a new Operating Model in a number of phases, which delivers the ambition set out above, over the next 3-5 years. This parallels the life of the new Service Delivery Partner contract (due to commence in April 2020) and by the end of that contract, OC delivery in meat, wine and dairy should be quite different.

4.2 During 2019/20, the following early paving activities have been progressed:

- **Review of the new Official Control Regulations (OCR)** for opportunities for reform within the OTDP. The new OCR regulations became applicable from 14 December 2019. This work has been closely aligned with Policy colleagues and will help to shape future development of the Operating Model. There are a number of opportunities emerging which could enable greater flexibility, for example in identifying who can undertake specific

duties, how often some checks are required, and in which circumstances we can reduce official inspection.

- **FSA Delivery of Official Controls Contract Re-Tender** – This project has worked under the Programme scope to help shape the future contract requirements. The new contract (which has been approved by Cabinet Office and HMT) is on track to commence from April 2020 and will include the scope for the FSA to trial different ways of working. It also enables the contracted personnel to undertake a broader range of activities, which could free up FSA resources to support our Feasibility Studies.
- 4.3 In addition to these key deliverables, the OTDP has established a robust governance structure, which is being de-coupled from the RoF Programme Board, to acknowledge the growing scrutiny required as we develop. However, the two Programmes will remain closely aligned in recognition that the strategic drivers, context and vision are very similar.
- 4.4 Developing and implementing a new Operating Model, during the life of the next SDP contract will require investment of staff resource and time, working with key stakeholders.
- 4.5 Programme planning continues and a Full Business Case should be developed by the end of the Financial Year which will outline planning assumptions, consider phased delivery options, highlight the investment required and clearly document the anticipated programme benefits. It is likely implementation of a new Operating Model, which will need to continue to deliver during the period of reform, will need to be phased with development of an Interim Operating Model and then the Future Operating Model.
- 4.6 The Interim Operating Model will enable implementation and delivery of short-term (1-3 years) changes and ‘quick wins’ which will enable longer term reform. Taking a phased approach will provide an opportunity to explore, trial and verify different approaches and adapt to emerging requirements. It will also build in time to make any required policy changes, and to gain industry and front-line engagement on issues such as the reform of charging. Implementation of the Future Operating Model would allow the FSA to move away from its current resource-intensive inspection-led approach, to become a risk-based regulator in these areas, with a relatively greater focus on assurance and verification.

4.7 Work areas anticipated at this stage, before completion of a Full Business Case are:

<b>Short Term</b>	<b>Medium Term</b>	<b>Long Term</b>
<ul style="list-style-type: none"> <li>• Tender new SDP contract - Ongoing – Evaluation complete - on track for commencement in April 20</li> <li>• Landing the new OCR – completed in Dec 19.</li> <li>• Negotiate and agree with industry accepting responsibility for industry guide – discussions ongoing</li> <li>• Develop Business Case for Transformation</li> <li>• Further development and design of Interim &amp; Future operating model options</li> <li>• Segmentation Model – Review of how/which/what segmentation should impact future design</li> </ul>	<ul style="list-style-type: none"> <li>• Design / run feasibility studies for new ways of working</li> <li>• Market engagement, Design, Procurement &amp; Testing of technical solutions</li> <li>• Implementation of the most relevant CPCS Recommendations</li> <li>• Support incentive scheme for FBO investment in technology (21<sup>st</sup> C Abattoir)</li> <li>• Design &amp; consult on potential People &amp; Org design changes</li> <li>• Digital, Policy &amp; Legal changes enabling new model</li> <li>• Develop options for inclusion of 3<sup>rd</sup> party data in the Operating Model.</li> <li>• Initial application of the Segmentation Model approach</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation of feasibility studies and agreement on those being adopted</li> <li>• Begin full implementation of “end-point” operating model</li> <li>• Agree and communicate changes to charging as a result of any revised inspection regime.</li> <li>• Potential Outsourcing of residual (verification) sampling</li> <li>• Staff training for new skills and implementation of new structures</li> <li>• Full application of the Segmentation Model approach</li> </ul>

4.8 In progressing implementation of the anticipated changes, we will seek to work constructively and in co-operation with the industry and other interested stakeholders.

## **5. Progress to date**

5.1 OTDP is managed via a small core team within the RDOT Division of Operations, along with several interdependent workstreams, supported by Senior Sponsors. It is proposed to appoint an external expert to assist the small internal team with certain aspects of implementation, and a small number of temporary specialists to help upskill the core team.

- 5.2 Current delivery is focused through a number of interdependent workstreams, which are addressing the following themes:
- a) **Commercial** – with a focus on retendering the current Service Delivery Partner contract, which expires in March 2020, including changes to provide greater flexibility to respond to future challenges emerging from the Programme. Any mitigating activities required, will be managed within the Programme.
  - b) **Technical** – with a focus on analysing the operational impact of legislative and technical changes, such as OCR, for opportunities, risks and deliverability.
  - c) **Feasibility studies** – testing new and innovative approaches to areas such as inspection and sampling, to generate an evidence base that will help inform any future change. This workstream will take on the outcomes from the 21<sup>st</sup> Century Abattoir research project.
  - d) **Process and instruction** – bringing greater alignment to how we regulate across the meat, wine and dairy industries, so that every FBO, countrywide, is treated consistently, allowing a proportionate, risk-based approach. This will also allow industry to play its part in regulation, bringing it in to line with other sectors.
  - e) **Technology and information** – creating tools and technology to improve processes, ideally reducing the amount of time frontline staff (and businesses) spend on paperwork by switching to a more digital approach.
  - f) **People & Organisational Design** – reviewing certain roles and responsibilities in Operations, to understand what changes are required to support delivery of Operational Transformation, ensuring our staff have the support, skills and opportunities they need to continue to do their jobs well.
- 5.3 In addition to our existing workstreams, we also anticipate progressing work in the following areas:
- a) **Segmentation** – this will enable us to split the industry into manageable sections. For example: - small/medium/large operators, Compliant/Non-Compliant, Red Meat/ White Meat etc. It is imperative that we get segmentation correct as this will drive the future Inspection, Assurance and Verification Regime. For this reason, we are recruiting a Strategic Partner to support this work
  - b) **Assurance** – This is about the current Enhanced Assurance Initiative (EAI), which is exploring data sharing opportunities with FBOs. By working with FBOs to explore their own datasets, we are hoping to be able to reduce duplication of data collection and increase our assurance processes in the longer term. More widely, this opportunity could help identify and shape the possibility for sharing and utilising data with 3<sup>rd</sup> party assurers
  - c) **Charging** – This will ensure that any new delivery Operating Model will have a robust, transparent and incentivising charging regime to support it

- d) **Resourcing** – Development of the future delivery model will need to take into account the potential resource availability of professional and technical personnel, prior to the end of the next contract lifecycle (3-5 year window)

## 6. Conclusion

- 6.1 As the need for reform of our delivery of Official Controls increases, OTDP is emerging as a key priority for the FSA. Consequently, the support, scrutiny and challenge from the FSA Board will be critical in helping to achieve successful reform.
- 6.2 As outlined in this paper, the first steps have already been taken to create this transformational change programme, which will help to move FSA delivered Official Controls from an inefficient, costly and resource intensive operating model to one that helps to support our ambition to be an Excellent, Accountable, Modern Regulator.

## 7. The Board is asked to:

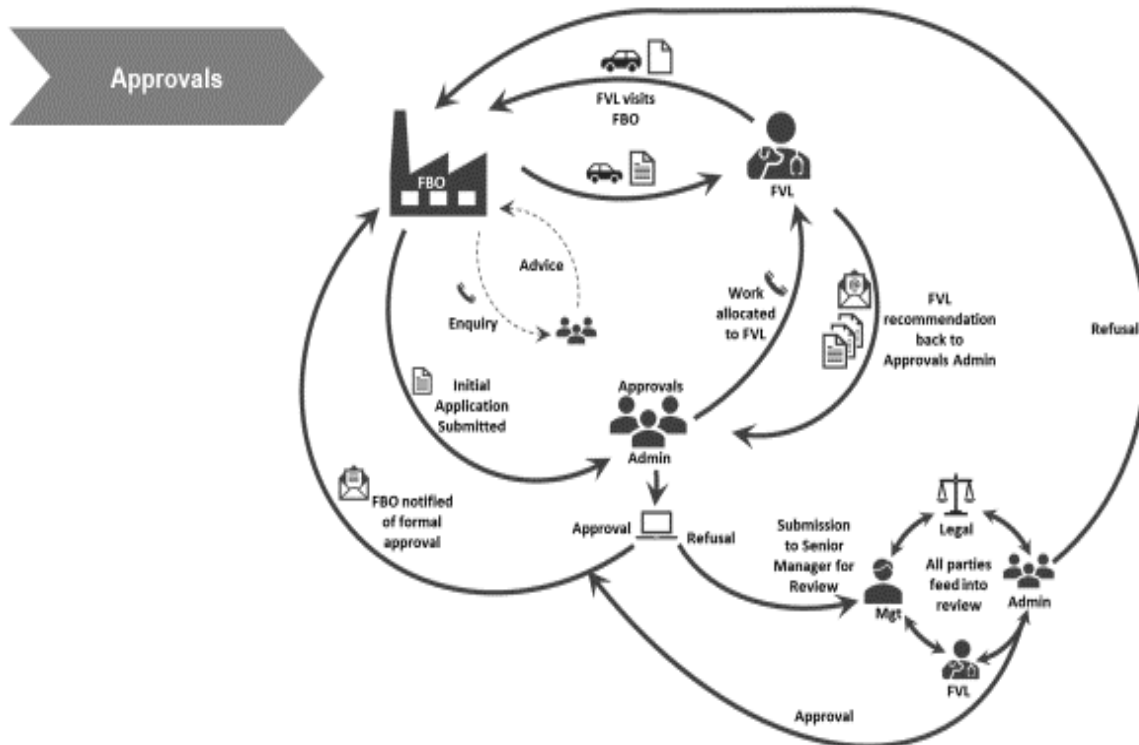
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Annex A - The current Operating Model for the delivery of Official Controls by the FSA as Competent Authority:

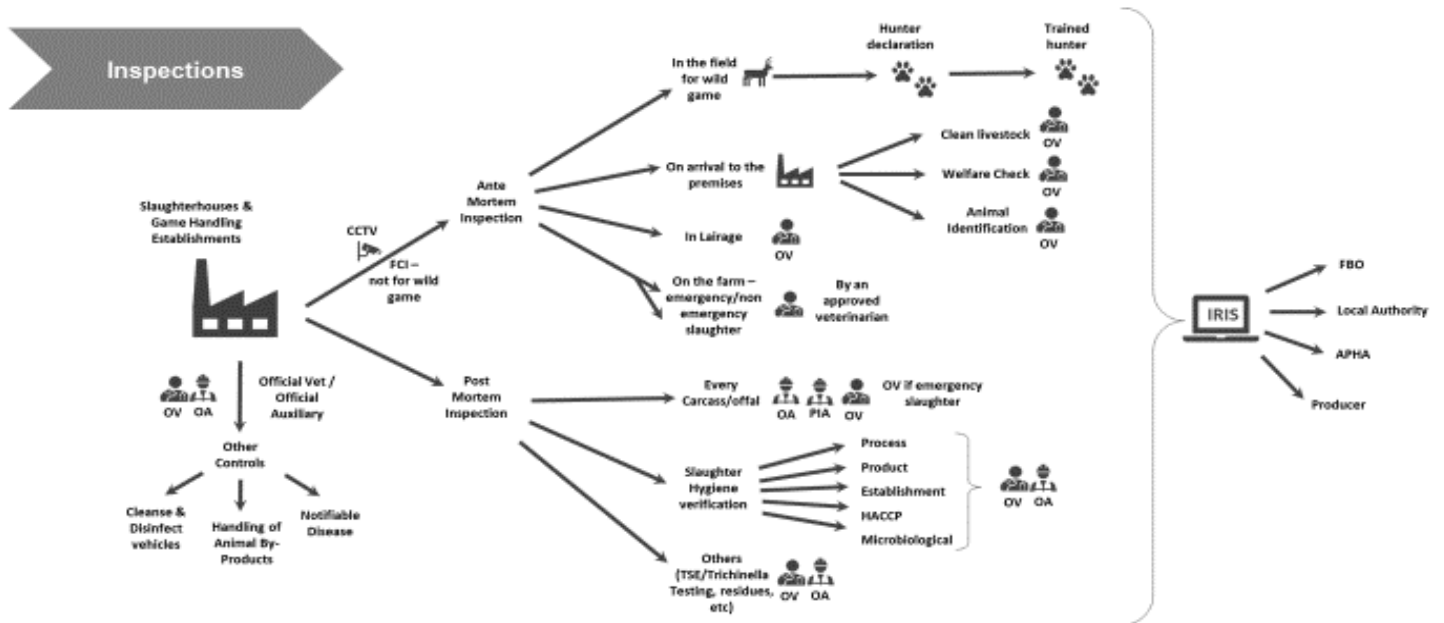
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### Operational Transformation Delivery Programme: Current Delivery Model (1) – Complexity Diagram



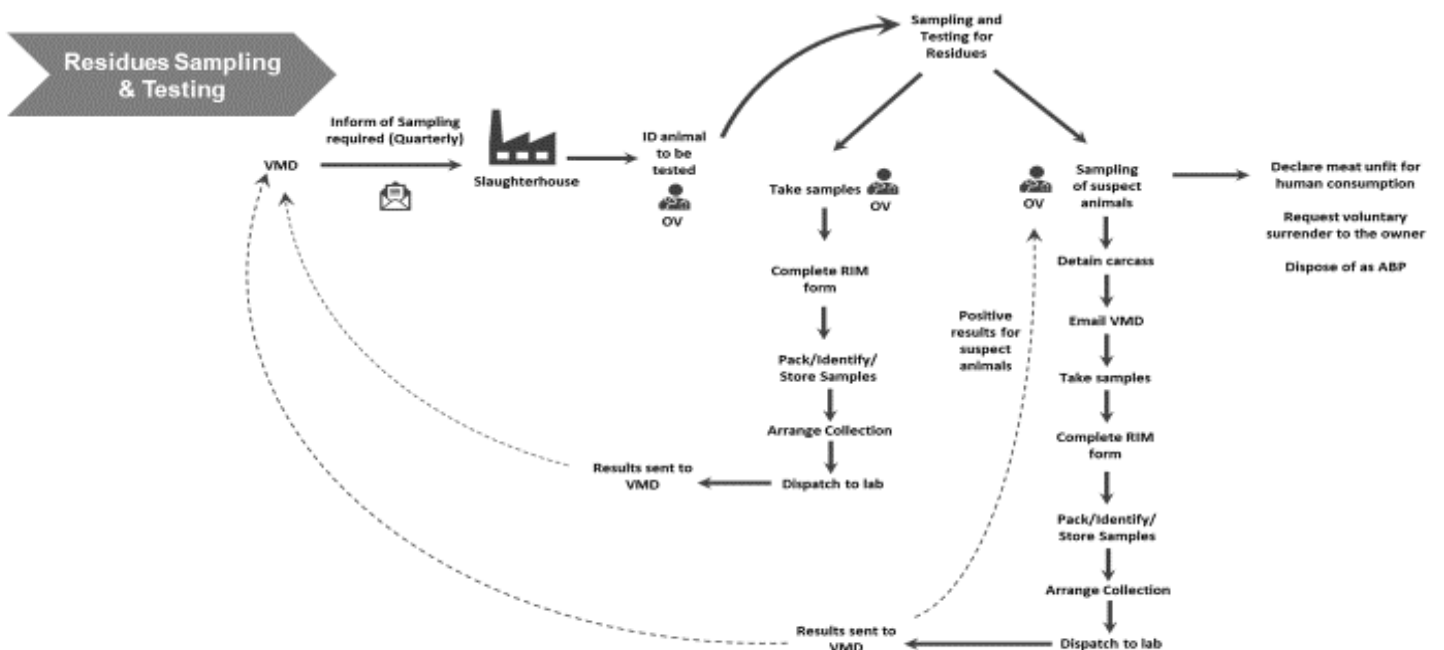
*\*Diagrams are indicative of the current process*

### Operational Transformation Delivery Programme: Current Delivery Model (2) – Complexity Diagram



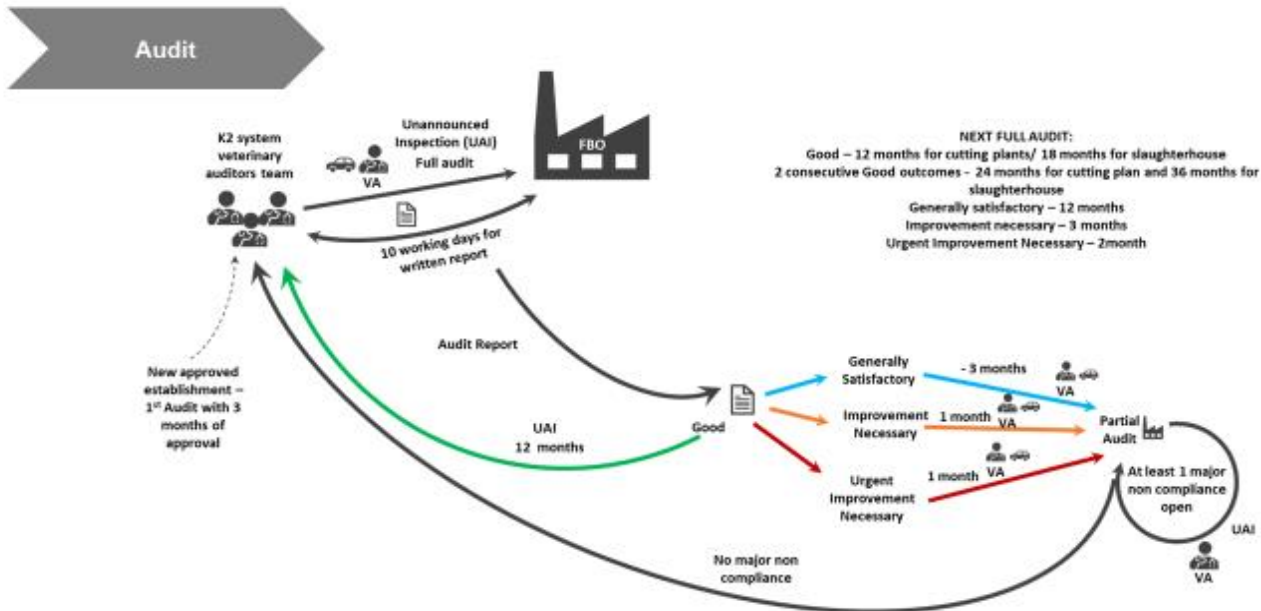
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### Operational Transformation Delivery Programme: Current Delivery Model (3) – Complexity Diagram



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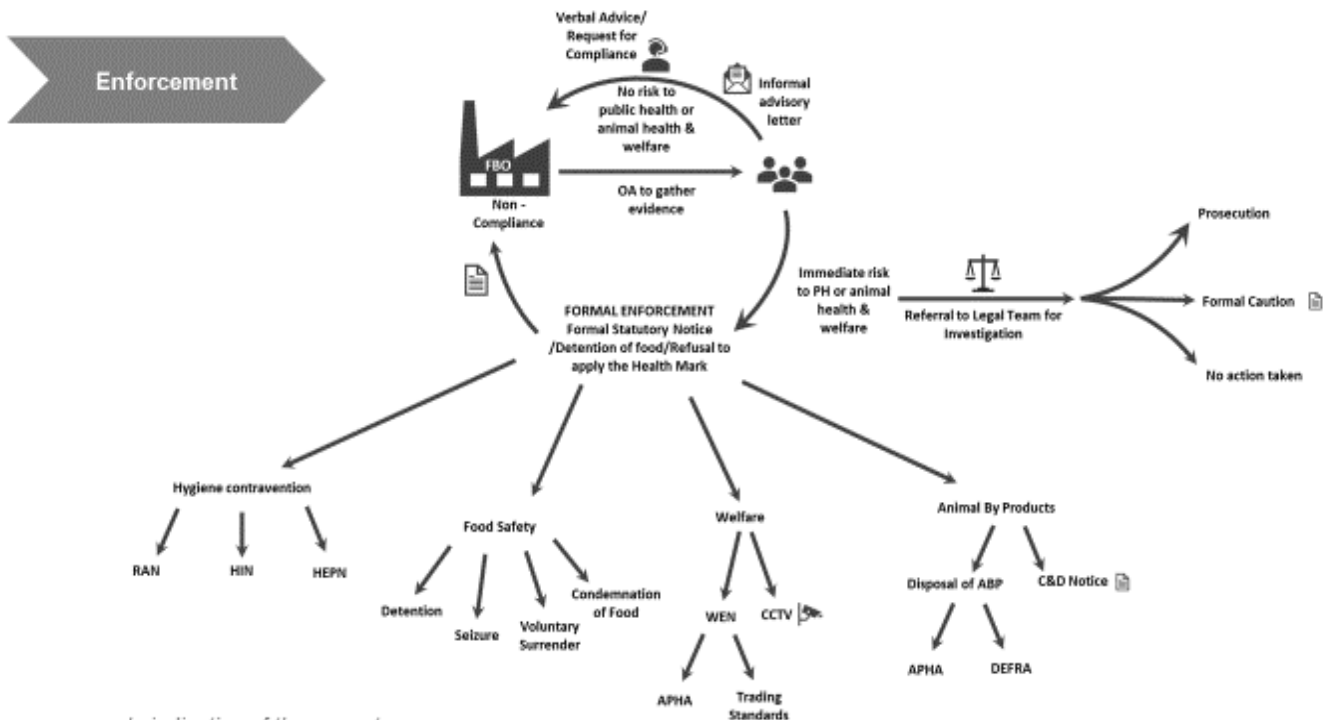
### Operational Transformation Delivery Programme: Current Delivery Model (4) – Complexity Diagram



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### Operational Transformation Delivery Programme: Current Delivery Model (5) – Complexity Diagram



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