

QUALITY MEAT SCOTLAND

Minutes of the Fifty Sixth Meeting of the Board
20th September 2018, 9:00am, The Rural Centre Board Room, Ingleston

Present:

J. McLaren, Chairman
J. Gibson
S. Henderson
A. McNaughton
K. Rowell
J. Scott
P. Sleigh
L. Welsh
G. Milne
S. Mackie

In Attendance:

D. Wilson (Sponsor Team)
H. Curran (Sponsor Team)
A. Clarke (Chief Executive)
P. Byrne
S. Straiton

Apologies:

R. Eunson
J. Fitzpatrick

ACTION

1. Minutes of Board meeting on 6th June 2018

- 1.1 Whilst reviewing the minutes a question arose regarding inclusion of the note on page 3 regarding an update which happened post meeting. It was explained that following the previous Board meeting, the Cabinet Secretary asked the Chairman to provide comprehensive evidence relating to the role of red meat in a healthy balanced diet, hence the inclusion in the minutes.
- 1.2 The Minutes were then agreed as an accurate record of the meeting
- 1.3 Pages to be numbered in future Board papers

SS

2. Update on Action Points

- 2.1 The previous Board meeting had asked for a report on the number of accrued holidays from the last financial year yet to be taken in this financial year. It was explained that all accrued holidays that had been brought forward have been taken within this financial year.

The Chief Executive reported that we were currently updating staff contracts with the aim of streamlining different versions that have been issues over the years. These contract changes will go to the Remuneration Committee later this year.

- 2.2 The Chairman and Chief Executive were tasked with determining the potential of commissioning a report into the Halal market. Progress so far includes a meeting which was held with key stakeholders in Scotland, and a Halal presentation delivered by AHDB at the Scotsheep event. It was also explained that 98% of New Zealand lamb is Halal slaughtered (all stunned), with approximately 46% of this being sold as Halal. It appears possible for Scottish processors to process meat which is Halal slaughtered (all stunned), however there could be wider issues for the public. We have agreed to fund a research project with AHDB and HCC from the Ring Fenced Fund into the public's perception of Halal.

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- 2.3 PB explained that the layout of the financial report has been changed to landscape. Further changes which PB is to make to the financial reports remain a work in progress and will be completed when we complete the upgrade to POMAS.
- 2.4 AC provided an update on the development of the departmental project Implementation plans. Changes which have been made so far include the addition of a percentage of project completed box, monthly updated commentary from Directors on projects, and a Q&A presentation held at the Board meetings with the Executive Team and himself.
- 2.5 The previous Board meeting requested comprehensive evidence to the Chairman on QMS's plans for tackling issues around Public Procurement. Therefore, John Davidson (Head of Food and Drink Industry Growth) has been invited to the Board to present on at the end of this meeting.
- 2.6 A new report from Economic Services has been created through the combination of Critical Success Factors and Strategic Indicators into a Review of Key Strategic Impact Indicators report. The first version of this report will be presented to the Board and is included within the Board papers.

There were no further questions from the Board on the action points.

3. Financial Report 5 month to 31 August 2018

PB presented the financial report of the 5 months to end August. He highlighted the year to date shortfall on levy of £98,006 due to a number of factors including the weather and the CO2 crisis.

PB has recalculated our income for the year and is projecting a potential £141k deficit against budget by the year end. The projections include the assumption of a 5% reduction in both pig and sheep levy.

Four areas of potential savings have been identified to cover the potential £141k deficit. This includes £30k savings on external spend which have yet to be identified.

1. Last release of deferred grant – £65k
2. Release of surplus 2017/18 accrued expenses – £30k
3. Expected underspend in Board/Exec costs – £15k
4. Savings in external spending **to be identified** – £30k

The £30k that is still to be identified should not be a problem as we still have 6 months of the financial year to run.

We are currently reviewing external spend and will complete a further Income and Expenditure projection after 6 months accounts have been completed.

PB reported it takes approximately £4m from the levy to maintain the organisation. Therefore if there is a risk that the income levels drop below £4m, then there would need to be an increment in the levy. There is more than £1m levy leakage to livestock slaughtered in England and it was noted that the recent Agriculture Bill did not include a permanent solution to levy repatriation. The Chair and Chief Executive are meeting the Cabinet Secretary and will raise this issue at the meeting.

PB then reviewed further points on the Income and Expenditure account.

1. Assurance Scheme income – above budget.
2. Grants – above budget, partly through the £200k Scottish government lamb campaign grant. Yet to receive invoices from the monitor farm projects.
3. Recruitment spend – due to departments carrying vacancies this budget is underspent. It was noted that PB had factored in a 2% pay increase, but the remuneration committee determined a 2.5% pay increase. Therefore this will cause a variance of 0.5%.
4. Economic Services – expenditure on travel increase, was due to the Director of Economic Services attending the International Meat Secretariat Conference in Dallas.

There were no further questions from the Board on the accounts.

4. Annual Review of Reserves Policy

PB described the report and the organisation's attitude to risk. Previously the organisation measured the percentage of reserves required as a percentage of income. However this has been revised to be a percentage of expenditure. Reserve levels are outlined in the report for different categories of risk. As the organisation has a historical medium appetite for risk, the reserves required are 6 months' costs, and this was the recommendation to the Board.

The Board approved the Reserves Policy.

5. Market Report – August 18

The Economic Services team produced reports; a Market report and Brexit report. Both of these were well received by the Board.

6. Implementation Plan Highlight Report

6.1 AC presented an overview of organisational performance.

There are 199 tasks which make up the plan. Feedback from the previous Board meeting has been incorporated into the report.

1. An additional column showing the percentage of project completed.
2. An additional column to split projects from operational business as usual and;
3. The Executive Team involved to present their own sections

He highlighted that we start fresh on 1st April 2019 with £2m of ring fenced funding. Therefore any ideas for projects from Board members should be passed to the Director responsible. Some suggested ideas included;

1. Items from the previous Board Away day at SRUC
2. UK licences for operating in new markets post-Brexit
3. DNA feasibility work

6.2 AC also gave a description and overview of State Aid rules, including State Aid's complexity and the impact of Brexit on the rules;

1. All money from the levy is deemed as State Aid
2. Expenditure has to comply with the rules
3. Cannot be seen to be favouring one industry over another (anti-competitive)
4. Extends to money received from grants received from the EU
5. Promotion can only be done through a PGI

JG queried the contrast that the levy is collected specifically for brand promotion, but is very constrained in how it can be used for brand promotion.

No further questions on this part of the report.

6.3 Brands Integrity

SW presented an overview of Brands Integrity performance year to date.

A number of key issues were discussed, including: -

1. NFUS request to use green composted waste in bedding and fodder.
2. Potential of a new membership category for "allied traders".
3. The introduction of more spot checks into our QA programmes.
4. Engaging crofters in our schemes

There were no further questions from the Board.

SW thanked the Chair for his involvement in the organisation and the Chair reciprocated with the excellent work that has been done since the department was created.

6.4 Corporate Services

DP presented an overview of Corporate Services performance year to date.

A number of key issues were discussed, including: -

1. Specification of our new purchase order system
2. Risk Register has been recreated in an Excel document for easier editing
3. Installation of a door entry system to the office

There were no formal questions from the Board.

The Chair congratulated DP on how well she has settled into the role.

6.5 Economic Services

SA presented an overview of Economic Services performance year to date.

A number of key issues were discussed, including: -

1. Attendance at the World Meat Conference in Dallas, Texas
2. Changes to the date of the QMS Newsletter for more prompt market price information
3. Uncertainty over Brexit and the future shape of rural policy and trade market access

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There were no formal questions from the Board.

6.6 Industry Development

DB presented an overview of Industry Development performance year to date.

A number of key issues were discussed, including: -

1. Future funding to continue or replace Industry Development projects including monitor farms
2. There have been 77 attendees on the "Are ewe ready to breed?" workshops
3. Grazing programmes had been received very well, with positive feedback. There have also been opportunities for collaboration and communication with SRUC.

There were no further questions from the Board.

6.7 Marketing & Comms

CMcL presented an overview of Marketing & Communications performance year to date.

A number of key issues were discussed, including: -

1. The positive impact of the lamb campaign and gave special thanks to the Scottish Government for their extra £200,000 funding. It has raised interest amongst beef farmers and is hoped that similar funding could be provided for a similar campaign.
2. Scottish Government policy for every child under 10 years old to visit a farm was also positively received and key for promoting education of food production.
3. The potential for venison to be including within our scope.

There were no further questions from the Board.

6.8 Strategic Engagement

AC presented an overview of Strategic Engagement performance year to date.

A number of key issues were discussed, including: -

1. Confirmation of expectance that the Japanese market will open to Scotch Beef and Scotch Lamb in 2019 and will be participating in FOODEX in March 2019 to showcase the industry.
2. #ScotlandIsNow Scotch Surf and Turf theme dinner organised by Loblaw Companies Ltd. (Canada's largest retailer) where Scotch products will be showcased.
3. Finalising plans to joint host "Asia Surf and Turf Roadshow" with Seafood Scotland in Singapore and Hong Kong in November 2018.

There were no further questions from the Board.

7. Review of Key Strategic Impact Indicators

The Chairman highlighted that this new report superseded two previous reports, Critical Success Factors and Strategic Indicators.

A number of issues were discussed, including: -

1. The benchmarking figures demonstrated that the organisation was in a strong position compared to similar organisations.
2. The drop in "Beef in Scotland". The decrease may be attributable to how retailers badge and brand their goods which in turn affects how Kantar can collect its data. Action to check with Kantar regarding clarity on the criteria they use.

SA

8. Committee Updates – Scottish Cattle Industry Group

The Chair gave an update of the meeting held on Friday 20th July.

After the initial poor uptake, those who have participated have given a positive response to the Beef Efficiency Scheme. Lots of data has been collected thus far. It is seen that one system of Bovine E.I.D. would create big opportunities in the industry.

There were no further questions from the Board.

9. Audit & Risk Management Committee Annual Report 2017/18

The Chair of the Audit Committee gave a review of the year which included mostly positive audit reports, with one exception being the HR audit. AMcN congratulated the team on their performance.

The Chair thanked AMcN for chairing the committee over the past 4 years.

There were no further questions from the Board.

10. Remuneration Committee Annual Report 2017/18

The Chair presented this and highlighted that some changes are required to the committee membership due to various members stepping down having completed their terms. The Committee had also acted as a "sounding board" for the Chief Executive during the department restructure that took place earlier in the year.

There were no further questions from the Board.

11. Review and Approve Risk Register

The Chair presented this and the new Excel spreadsheet register was welcomed by the Board.

There was some discussion around whether industry risks should be separated from QMS specific risks, as many of the red risks on the register affect the industry.

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The new Chair of the Audit and Risk Committee would be responsible for reviewing this.

The Risk Register was approved.

12. Review of Membership of QMS Committees

The Chairman presented the paper and the Board agreed the following: -

1. The Marketing Strategy Groups should be chaired by a Board member.
2. Industry Development Groups should be chaired by a Board member.

Chair reported that the potential new chair of the Audit & Risk Committee would have an audit background.

It was recommended that the Chair of the Remuneration Committee be selected from the committee's existing membership.

Brand Integrity Assurance Groups could be chaired by industry specialists and Board members were encouraged to participate.

It was recommended that the Board consider people that they know within the industry who would be a good fit to get involved with the Board and to pass their details to the Director responsible.

It was reported that the Haulage Standards Committee would be convened in this financial year.

Action – training to be provided for Committee Chairs, at the start of their tenure so that they understand what is required.

There were no further questions from the Board.

13. Review and approve draft Planning Cycle 2019/20

The Chief Executive outlined this year's Planning Cycle, the methodology for development and review was approved by the Board

There were no further questions from the Board.

14. Chief Executive's Report

AC presented his report which included: -

The levy repatriation Ring Fenced Fund budget for 2018/19 is £2m of which £1.894m has been allocated and £106k is to be used as Brexit contingency if required.

15. Chairman's Report

The Chair gave thanks to Board members and to those who have previously served on the Board.

The Chair congratulated KR on her appointment and wished her the best of luck for the role.

16. Presentation from John Davidson, Head of Food & Drink Industry Growth (Scottish Government)

John Davidson, Head of Food & Drink Industry Growth from the Scottish Government provided an update to the Board on Public Procurement. A copy of his presentation has been circulated.

17. Presentation from James Withers, Chief Executive (Scotland Food & Drink)

James Withers, Chief Executive of Scotland Food & Drink provided an update to the Board on the work and current trends within the industry. A copy of his presentation has been circulated.

18. Cabinet Secretary for Rural Affairs, Fergus Ewing MSP Cabinet Secretary for Rural Economy

Mr. Fergus Ewing MSP was welcomed to the Board.

Iain MacDonald from the Economic Services team presented to the Board the potential impact of a "Hard Brexit".

The Cabinet Secretary gave thanks to the Chair for his tenure on the Board.

The Cabinet Secretary gave an update on developments within the Agriculture sector.

There was then a short question and answer session with the Cabinet Secretary.

19. Any other business

There was no other business.

20. Date of Next Meeting

10:00am, Thursday 15th November, Rural Centre Board Room, Ingliston