

**Confidential**

**QUALITY MEAT SCOTLAND**  
**Minutes of the Forty-Eighth Meeting of the Board**  
**17 November, 2016 10.00am Rural Centre Boardroom, Ingliston**

**Present:**

J McLaren, Chairman  
R Eunson  
J Gibson  
S Henderson  
S Mackie  
A McNaughton  
G Milne  
K Rowell  
J Scott  
P Sleight  
L Welsh

**In Attendance:**

S Ashworth (Item 7 & 12)  
P Byrne (Items 3 & 4)  
H Curran (Sponsor Team)  
U Morton (Chief Executive)  
I MacDonald (Item 7)  
C McLaren (Item 4a)  
S Woodman (Item 4a & 10)

**Apologies**

J Fitzpatrick

**ACTION**

**1 Minutes of Board meeting, 15 September, 2016**

The minutes of the September Board meeting were approved.

**2 *Commercial in Confidence*  
Update on Action Points**

**2.1 Action Points**

Updated to confirm year end accounts were laid before Parliament on 14 November 2016.

**LW**

**2.2 Cattle and Sheep Standards**

Due to errors in the pagination of the standards these will be reissued at the printers' cost. An explanatory cover letter will be sent along with the reprinted standards.

**2.3 Draft Flexible Working Policy**

Amendments received from Lawyers will be incorporated into the Policy and it will then be circulated to staff.

**2.4 Chairman's Report**

Confirmed that the Cabinet Secretary will be in attendance at the December 8 Board Meeting.

**3 Financial Report 7 months to 31 October, 2016**

**3.1 Income and Expenditure**

Extended Financial report brought to the Board this month including projections to year end. Levy income estimated to be a shortfall against budget of £243k. It was noted that there may be an underspend in the ID department due to a number of factors.

Agreement from the Board to continue the year with Scenario A (Continue with budgeted spending plans and fund expected deficit out of Balance Sheet reserves).

Expecting to end the year with net deficit on EU marketing grant of £59k.

The actual amount spent and claimed from the EU grant may vary depending on the following unknown factors:

- Exchange rate on day Euro bills are paid

- The claim is submitted using exchange rate on the last day of the month prior to the month the claim is submitted
- The claim is then paid at the exchange rate of the penultimate day of the month prior to the month in which the claim is paid.

It was suggested to look into the pros and cons of having a euro account.

### Balance Sheet

#### Review of Levy Income Projections

Cattle levy is reasonably stable and agreed the cattle budget should remain unchanged. The challenge is with pig and sheep levy. Sheep have been running well below budget expectation for last couple of months due to delayed delivery of lambs arriving in market place. Some plants have clearly been impacted or taken decision on exports and significant reduction in volume of lambs going through plants with export activity. A 12.5% reduction in budget for the remainder of the year suggested.

The reason for the reduction in pig levy is a change in industry expectation of what Brechin could process. In week 22 the volume had increased to expected levels. Dunbia plant has stopped slaughtering pigs which takes 400 pigs a week out the system which was not expected when the budget was finalised. Recommendation is to revise budget for the remainder of the year to an average of 6500 per week.

A Board Member suggested that prime sheep are going south of the border and a query was raised on whether they are going straight to slaughter or farm. SA agreed to investigate.

**SA**

#### **4 Levy Organisation Benchmarking Report**

The Chairman noted that QMS compared very well to the peer group included in the Benchmarking report. Board members agreed that no additional organisations needed to be included in the comparisons. When compared to the previous year's analysis of income, QMS is the only organisation to show a reduction.

A Board Member queried what the "other income" is on the Income Source table. PB will advise the Board.

**PB**

#### **4a Commercial in Confidence Item on FSS Debacle**

#### **5 Progress Report for Period 6 September to 31 October**

The Progress report was discussed and the Board had the opportunity for questions.

#### **6 Progress Report on Achievement of Critical Success Factors**

The paper was reviewed and there were no changes.

#### **7 Market Report**

Economics Analyst gave a presentation on the pig industry and answered Board questions on the pig market. The Board then discussed increasing prices in exporting. A question was raised as to whether exports to the Chinese market are going direct from the UK and whether it is chilled or frozen.

**IM**

#### **8 Committee Updates**

8.1 Specialty Selected Pork Marketing Strategy Group – 10 October – P Sleigh

Last meeting was at Brechin and noted that prices and demand down. There was good turn out from processing sector. MRSA had been found in imported products however nothing found in UK products.

8.2 Audit and Risk Management Committee Meeting – 26 October – A McNaughton (paper 58-16/17)

The minutes of the 26 October Audit and Risk Management Committee were noted. Audit committee congratulated the Management Team on achieving substantial assurance in the internal audit of Corporate Governance. Noted that the Corporate Services Manager is retiring in August and a suitable handover period will be scheduled for her successor.

8.3 Scotch Beef Marketing Strategy Group – 1 November – A McNaughton

It was noted that many of the statistics had already been discussed in the levy income projections. Origin information on the percentage of beef identified as Scotch in different retailers to be circulated to Board. It was also noted that the planning for the March – April Scotch Beef Campaign is going well.

**LW**

**9 Review and Approve Risk Register**

The Board reviewed and approved the amendments to the Risk Register. Workshop for the board will be set up in 2017 to look at different format and layout, to take account of risk appetite.

**LW**

**10 *Commercial in Confidence*  
Recommendation on Assurance Scheme Contractor – for approval**

**Update on SPECC**

The Brands Integrity Manager brought to the Board a paper which had been carried forward from the June Board. Proposal to carry on as is and return to the Board in November 2017 for review. Agreement from Board.

**11 *Commercial in Confidence*  
Update on Levy Repatriation Situation**

**12 Brexit Issues for the Industry/QMS**

12.1 The Chairman suggested that future papers should highlight new elements. The key element from last update is when Brexit will trigger – this will be end of March 2017 but the conclusion of the appeal process will not be delivered until Jan. It was agreed the additional paper on WTO Tariffs and Red Meat would be circulated.

**SA**

**LW**

12.2 The latest RPI consumer price index shows there is no Brexit impact to retail prices at present.

12.3 One major concern is there may be one common UK policy with no flexibility within devolved regions.

12.4 It was noted that there are some concerns that new trade agreements cannot be signed until official exit and Ministers should be encouraged to be negotiating through trade talks and need to know the importance of the red meat industry to Scotland.

**13 Chief Executive's Report**

#### Office Lease

The Board authorised the Chief Executive to negotiate with SARDC between the rental levels discussed.

#### **14 Chairman's Report**

Since the September Board the Chairman has met with Fergus Ewing to advise on the role of QMS. And also attended a Beef 2020 Core Implementation Group and attended the QPL open day. Attended SIAL in Paris and was an excellent event with enthusiasm from the European market place for Scotch product. Meet with Andrea Leadsom whilst in SIAL. Attended the Scottish Government Climate Change Discussion and the NFUS autumn conference in Battleby with Secretary of State, David Mundel. Visited Paterson's shortbread with Scott Walker and Andrew Leadsome. Met with the Cabinet Secretary to discuss the future of the LFA. Both the Chairman and the Chief Executive attended the World Meat Congress in Uruguay. Participated in an excellent farm tour highlighting that 84% of Uruguayan cattle are British native breeds.

#### **15 Any Other Business**

None to note.

#### **16 Presentation from Nuffield Scholar Steven Sandison**

Presentation from Steven Sandison with an open question and answer session.

The Chairman thanked Steven on behalf of the Board.

#### **17 Date of Next Meeting**

The next Board meeting is a full day planning session and will be held on Thursday, 8 December at 10am in the Rural Centre Boardroom. The Cabinet Secretary will attend for part of the meeting.