

QUALITY MEAT SCOTLAND
ANNUAL REPORT AND ACCOUNTS
For the 12 Months to 31 March 2021

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PERFORMANCE REPORT

1.0 PURPOSE

Welcome to Quality Meat Scotland's (QMS) annual report and accounts for 2020/21. QMS are the Non-Departmental Public Body of the Scottish Government responsible for the collection of the statutory red meat levy. This is collected at point of slaughter and is paid on average 77% by farmers and 23% by processors (abattoirs).

The worldwide COVID-19 pandemic has altered how we live, how we work and how we shop! All our plans for 2020 were laid out at our Parliamentary reception held at the Scottish Parliament on the 14th January with 150 people from across the red meat sector in attendance. On the 25th February more than 450 people from the industry attended our conference "Meat the Future" where again we signposted our strategy of Supporting, Developing, Promoting and Protecting the Scottish red meat sector. Key topics included tackling our challenges from anti red meat organisations, the benefits of red meat to human health, the importance of high animal welfare and our contribution to sustainable production, as well as the launch of our new marketing strategy and implementation plans for local, national, and international markets.

However, the arrival of COVID-19 changed everything. Almost overnight the food service market closed, exports became almost impossible and retail consumer demand for red meat and other food products increased seismically. The whole supply chain had to react; farmers, livestock hauliers, auction marts, processors, feed merchants, butchers, retailers, restaurants, and cafes all had to adhere to social distancing measures and learn a completely new language including phrases like lockdown, furloughing, new normal, self-isolation, key workers and support bubbles to name but a few!

Within days auction marts had developed new operating protocols with only buyers allowed at the ring, processors had introduced social distancing measures to ensure processing lines remained operating, butchers developed e-commerce delivery and click and collect capability, retailers increased the number of home delivery slots available at their stores, catering butchers started selling direct to consumers and changing large food service packs into retail packs. There was a real paradox of increasing retail demand and lower farm gate prices. However, this quickly started to change and prices for cattle and sheep rose and have continued to do so steadily throughout the year. However the pig sector has suffered major downward pressure as a direct result of Covid -19.

Before [Covid-19](#), 60% of meals were home-cooked in the UK. This has now increased to 72% and it is estimated just over 500 million more meals will be consumed indoors every week, with evening meals rising by 23%. A new generation has started to reconnect with their food and farmers have gained a positive reputation for feeding the nation during a worldwide health crisis. The world wants to eat local and this gives opportunities as well as challenges.

As well as coping with changes in consumer behaviour and changed work practices we also have been planning for how the Scottish red meat sector will prosper in a post EU world. There are many changes and challenges to deal with, however we are confident that the resilience that the Scottish red meat

sector has demonstrated in 2020 will continue and pragmatic solutions will be found to meet the needs of our customers locally, nationally, and internationally.

2020 has given us an opportunity to re-set the Scottish red meat sector, we will capitalise on consumer goodwill and shout about our actions to mitigate climate change and the contribution that the red meat sector is making towards national targets. COP 26 coming to Glasgow in 2021 will give a real focus to this. Economically this has been a year where many sectors including transport, hospitality and food service have been nearly wiped out. QMS will be focused on providing leadership for our industry and Government in Scotland. Supply chain profitability is essential to develop a confident sector that invests in its future. To achieve our aim, we will work collaboratively with the whole red meat supply chain and Government, to bolster supply chain efficiency, brand integrity and consumer confidence.

As an executive non-departmental public body of the Scottish Government, our Annual Report is prepared in line with the requirements for a public body and sets out our strategic ambitions on behalf of the Scottish red meat industry for the period 2021 – 2022. These are published on the QMS website www.qmscotland.co.uk. The Scottish red meat sector make an important contribution to the country's rural economy, contributing over £2.1 billion to the annual GDP of Scotland and supporting around 50,000 jobs in the farming, agricultural supply and processing sectors.

We market the PGI labelled Scotch Beef and Scotch Lamb brands in the UK and abroad and promote Scottish pork products under the Specially Selected Pork Banner. Our brands are underpinned by our internationally recognised assurance schemes which cover more than 90% of livestock farmed for red meat in Scotland. They offer consumers in the UK and overseas the legal guarantee that the meat they buy has come from animals that have spent their whole lives being raised to some of the world's strictest welfare standards. With hundreds of years of tradition behind them, Scottish farmers pride themselves on meeting the high standards of today's modern meat consumers, at home and abroad.

Purpose of QMS

QMS was established, under the Quality Meat Scotland Order 2008, as a public body, for administrative purposes, QMS is classified as an executive non-departmental public body. The powers, functions and purpose of QMS are set out in the Order, as follows: -

- | | |
|--|---|
| ▪ Increase efficiency or productivity in the red meat sector | ▪ Improve marketing in the red meat sector |
| ▪ Improve or develop services that the red meat sector provides to the community | ▪ Improve ways in which the red meat sector contributes to sustainable development. |

Functions of QMS

QMS has responsibility for a range of statutory functions relating to the development and promotion of the red meat industry in Scotland, as set out in Schedule 1 to the Order.

Public Funds

Scottish Ministers have defined the overall aims for QMS's use of public funds as being to ensure that the funds are used for the benefit of the Scottish levy payers and in accordance with the Quality Meat Scotland Order 2008. The business plan for the year immediately ahead shall be consistent with the agreed corporate plan. The business plan shall be updated annually by QMS to include key targets and milestones for the forthcoming year and shall be linked to budgeting information so that resources allocated to achieve specific objectives can be identified by Scottish Government.

Governance

QMS has a Board of 12 members including a Chair who are all appointed by Scottish Ministers for their knowledge of the different sectors that comprise the Scottish red meat industry as well as their experience in a range of areas such as marketing, finance and corporate governance. We have an Audit & Risk Committee and Remuneration Committee as well as a number of stakeholder groups covering our marketing and industry development activities, as well as our Standards Setting Bodies who set our Quality Assurance standards for each part of the production supply chain. Our Board members, committees and standards setting Body members are detailed at Appendix A. Our Executive Team is detailed at Appendix B.

Industry Engagement

Collaboration is at the heart of the way QMS operates and we work closely with our levy payers and key stakeholders through our Scottish Red Meat Resilience Group and managed stakeholder engagement. We strategically engage with our industry and liaise regularly with representatives of the different sectors to ensure our activities meet the needs of beef, lamb and pork businesses.

Strategy and Operations

This corporate business plan was developed over a period of 4 months with input from the QMS Board, Executive Team and all staff. Our starting point was a PESTLE Analysis (Political, Economic, Sociological, Technological, Legal and Environmental) of the factors impacting on the Scottish red meat sector. This plan sets out the aims and objectives of QMS and of each department within QMS as well as the implementation plans that will support the delivery of each of our objectives. Our operations aim to provide a return on investment for our levy payers by working with all parts of the red meat sector supply chain and promoting our world class products to consumers in local, national and international markets. We have also detailed our budget forecast for 2021–22 which includes a key assumption that the long term solution to levy repatriation takes place as planned on 1st April 2021 meaning we have additional levy income of circa £1.3M.

The Scottish red meat sector has been under major pressure due to several external factors, including:

- on-going trend of reduction in meat consumption, activism by the anti-red meat lobby in relation to animal welfare, human health and environmental impact.

As a result of this the Board of Quality Meat Scotland have set out their ambition, strategy and implementation plans to rise to these challenges. However, by the end of this current financial year we have had to respond to the world health pandemic COVID-19 and this has meant that we have had to change strategy to assist the red meat supply chain to continue to remain open for business.

FIGURE 1 –QMS AMBITION

To be recognised and valued as the **Leadership Organisation** for the **Red Meat Sector** by **Industry** and **Government** in **Scotland**.

To achieve **Supply Chain Profitability** we will work collaboratively with government, farmers, processors, research, and learning providers to build supply chain **Efficiency**, **Brand Integrity** and **Consumer Confidence**.



The red meat supply chain is very complex with 10,000 livestock farmers, 26 processors (abattoirs) who produce more than 1,500 products from one carcase and need to find a market for every one of them. On average 15% of red meat is sold into food service, 65% retail (independent butchers, the large retailers and discounters) and 20% exported mostly to Europe.

The red meat levy collected is used in several ways including: -

- To promote red meat products in local, national and international markets.
- To protect the reputation of the industry.
- Promote the nutritional value of meat as part of a healthy diet.
- To develop the industry through the provision of continuing professional development to farmers and other parts of the supply chain.
- To support the industry through the provision of high-quality fact-based information and through our whole of life, whole of supply chain Quality Assurance programmes.

FIGURE 2 – QMS STRATEGY

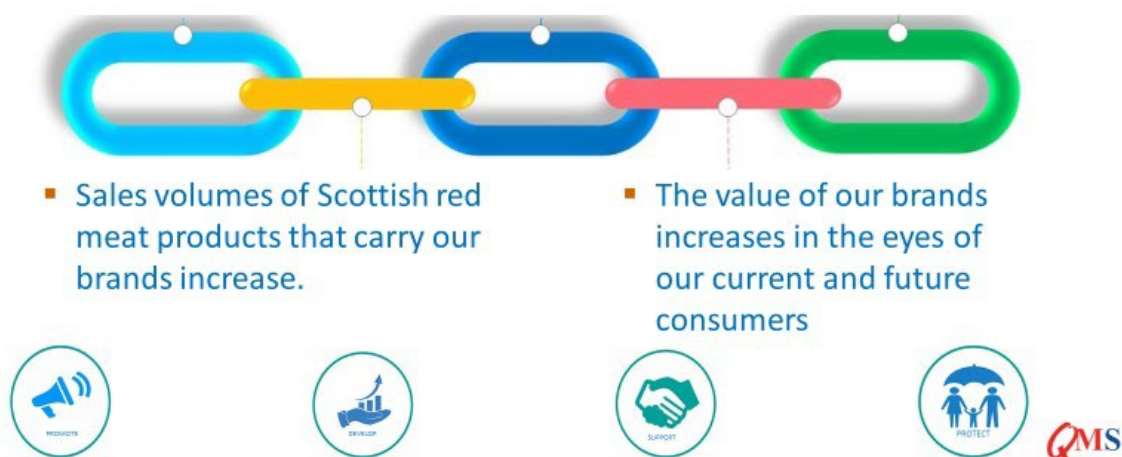
To **develop, support, promote** and **protect** a profitable and sustainable Scottish red meat industry.



This is a long-term strategy for QMS and we have developed annual implementation plans that support the delivery of this strategy and we have also identified what success would look like for both QMS and the Scottish red meat sector.

FIGURE 3 –WHAT DOES SUCCESS LOOK LIKE FOR QMS?

- A Scottish Red Meat Industry Supply Chain That Is Confident About Investing In Its Future
- Producers And Processors Benefit With Equitable Returns Throughout The Supply Chain



Success for Quality Meat Scottish is a red meat industry that produces viable returns for the supply chain. Red meat is often used by large retailers as a loss leader for retailers meaning that the price at the processor can be tight which in turn squeezes margins for farmers. Failure to address this will lead to farmers leaving livestock farming and meaning that Scotland and the UK will become more dependent on imports.

In addition to our success factors we have also identified several cross-cutting themes

FIGURE 4 –WHAT DOES SUCCESS LOOK LIKE FOR QMS?



Our cross-cutting themes are the internal processes that we have taken into consideration when developing this new ambition and strategy.

This strategy is aligned with the Scottish Government’s economic strategy of increasing sustainable economic growth and the next phase of Scotland’s National Food and Drink Policy - Becoming a Good Food Nation as well as Scotland Food & Drink’s “Ambition 2030” vision.

I am pleased to report that we are in a strong position to continue this important work. With our strong track record of effective delivery and the resilience to continue to support the sector, we are able to react quickly to challenges and opportunities as they arise.

2.0 OVERVIEW

This section details the background to QMS, our principal activities. Strategic report, financial results and performance measures.

2.1 BACKGROUND TO QUALITY MEAT SCOTLAND

Quality Meat Scotland Ltd was formed in 2000 and was a private, not for profit company limited by guarantee. With effect from 1 April 2003, it received delegated responsibility from Ministers for the exercise of a range of statutory functions, as set out in the Agriculture Act 1967. These functions, aimed at assisting the efficiency and profitability of the Scottish red meat sector, were previously undertaken by the Meat and Livestock Commission.

In 2005, following an independent review of the five GB and UK statutory agriculture and horticulture levy bodies, a decision was taken to retain a separate meat promotion and development body in Scotland. The body would be a Non-Departmental Public Body (NDPB), wholly accountable to Ministers in the Scottish Government. The name of Quality Meat Scotland Ltd was changed to QMS 2000 Ltd and the business and assets of QMS 2000 Ltd were transferred on 1 April 2008 to the NDPB which was named Quality Meat Scotland. QMS 2000 Ltd was subsequently wound up on 4 December 2009.

The registered address of QMS is Rural Centre, West Mains, Ingliston, Newbridge, EH28 8NZ.

2.2 PRINCIPAL ACTIVITIES

The core functions of Quality Meat Scotland (QMS) are to work with the Scottish red meat industry to improve its efficiency, profitability and sustainability and to maximise its contribution to Scotland's economy. This activity is funded largely by a statutory red meat levy, paid by all farmers and processing companies in the Scottish red meat industry. Additional income is received from various public sector grants and from the membership fees, paid by over 10,000 businesses that belong to the voluntary QMS Quality Assurance Schemes, which set out the standards to produce beef, lamb and pork in Scotland.

The accounts have been prepared in accordance with a direction, given by the Scottish Ministers, in accordance with Section 12(5) of the Quality Meat Scotland Order 2008. The direction is reproduced at the end of these accounts.

2.3 FINANCIAL RESULTS

The results for the year to 31 March 2021 are shown on page 37, together with the notes on pages 38 to 44. QMS made an operating deficit, before bank interest, of £73K for the year to 31 March 2021 (2019/20 - £123K deficit).

In February 2020 the Board approved a budgeted deficit for the 2020/21 year of £240k. The budgeted deficit was planned to ensure that we could meet our strategic objectives considering the forecasted decrease in levy income and the unknown impact that a potential hard EU exit could have on the industry. This was achieved utilising Balance Sheet reserves in line with the agreed Reserves policy. The resultant 2020/21 deficit of £58k was less than budget due in part to savings made due to restrictions on activity imposed by the COVID-19 outbreak.

2.4 STRATEGIC REPORT

During the 2020/21 year key agreed activities were undertaken, in line with Quality Meat Scotland's strategic aims to support, protect, promote and develop Scotland's red meat industry and the businesses which operate within plus helping improve profitability, efficiency and sustainability.

Specific strategies with clear objectives were established and, in line with the priorities identified by the QMS Board, the departmental teams in QMS developed and delivered a range of activities, detailed in a comprehensive implementation plan, to meet these objectives.

The diversity of the QMS Board is key to the success of the organisation. Board members are involved in different parts of the red meat industry in Scotland, with each board member bringing different skills and expertise to the organisation.

During the 2020/21 year there were several changes to key staff, we have strengthened our social media ability, how we run our Scotch butchers and due to Covid -19 we introduced a temporary staffing structure which was a redeployment of skills due to some activities in our implementation plans not being able to be completed and other activities that we hadn't planned being required.

Collaboration is at the heart of the way QMS operates and the organisation works closely with the industry and liaises regularly with representatives of the different sectors to ensure our activities meet the needs of beef, lamb and pork businesses.

In 2019/20 QMS delivered its first ever industry conference 'Meat the Future' with 430 industry partners in attendance. The conference was well received, and it was agreed to repeat every 2 years, although this is currently on hold, due to Covid -19. the UK, Welsh and Scottish Governments

During the financial year 2020/21 we successfully agreed with completed a long-term solution to the repatriation of levy, meaning that on average we will receive £1.3M more levy each year and this has been taken into account in next year's budget.

During the 2020/21 year we worked in partnership with AHDB and HCC and led on the **£1.5M** the "Make It" marketing campaign which we delivered UK wide, using AHDB monies from the Ring-Fenced Fund.

QMS continues to communicate the importance of a healthy diet and the role of red meat in achieving that and developed a new online learning resource called "Farming Foodsteps." This can be used by teachers and lecturers to enable learners to understand where their food comes from and how the Scottish red meat sector contributes to the Scottish Government climate change targets, the animal welfare practices that we use through our quality assurance schemes and how red meat contributes to a healthy balanced diet.

With the closure of food service at times throughout the year and the severe reduction in exports in the last quarter of the year, we are working with processors to identify new markets to achieve carcase balance for each of our 3 species.

We work closely with Scottish Development International and with AHDB and HCC to maintain and develop trade shows and inward missions. Most of this activity has had to be put on hold this year, however we have plans developed for exports and food service markets as Covid-19 restrictions relax.

Covid-19 also provided challenges with our industry development work and we have risen to that challenge by conducting meetings using Zoom and MS Teams. We have also developed a very successful series of podcasts as well as developing online learning resources for farmers and other parts of the red meat sector to use. Our Monitor Farm legacy project has been delayed into the new financial year.

The red meat industry contributes around £2 billion to Scotland's economy annually and has risen to the challenge of having to respond to the impact of restrictions imposed to control a world health pandemic. The team has developed recovery strategy and sustainable red meat production will be at the heart of it.

Our risk management policy is a key element of our internal control and corporate governance framework. During the year ended 31 March 2021, the risk management policy was reviewed and updated along with the Board's risk appetite (see page 23 for more detail).

2.5 PERFORMANCE MEASURES

As a small NDPB, the executive team, in partnership with the Board of QMS, develops its strategy and annual plan of key performance measures. These are developed for each department within QMS and monthly review meetings occur with the Chief Executive to review actual performance against plan.

An overall summary of actual performance using a Key Performance Measure tracker goes to each Board meeting. Progress against each performance measure is recorded using a BRAG tracking system and comments are recorded on each measure where planned target is not achieved. These comments may include corrective action to mitigate any potential under performance highlighting the associated risks and issues. Alternatively, where measures contained within the plan are no longer seen as relevant narrative is placed in the Key Performance Measure tracker.

As a small NDPB we utilise a number of financial and non-financial performance tools to develop and manage the performance of QMS. Our business plan and implementation plan details all the key activities that we aim to achieve with the financial year. To produce this, we conduct a Situation Analysis of the Scottish Red Meat Sector and a review of our past performance. This situation analysis and review is then analysed in terms of the Scottish Government National Performance Framework and we integrate other major stakeholder strategies into this. Our overall strategy is then developed and includes: -

- Our Mission
- Our Vision
- Strategic Aims
- Strategic Objectives to Meet Each Aim
- Implementation Plans per Strategic Objective including Time Scale and Resources both financial and physically required
- Our Key Delivery Partners
- Overall Budget

We also have a series of procedures and processes in place to manage our employee performance, utilisation of resources, procurement processes and financial management. We are subject to both internal and external audit and have review and corrective action processes in place to ensure there is continuous improvement.

As part of our operational performance, we develop and measure our performance against the Programme for Government Themes and produce statements on Information & Communications Technology, Climate Change Duties, Equality and develop and manage our risk register to ensure that the red meat industry and QMS have mitigation plans in place.

The Board and executive team are involved in ensuring that our performance is reviewed and that the linkages to our highlight reports and implementation plans provide a comprehensive overview of operational performance.

However, the worldwide COVID-19 pandemic meant that we had to replan our activities as we entered different phases of lockdown throughout the year. The pandemic has altered how we live, how we work and how we shop! All our plans for 2020 – 21 were laid out at our Parliamentary reception held at the Scottish Parliament on the 14th January 2020 with 150 people from across the red meat sector in attendance. On the 25th February 2020 more than 450 people from the industry attended our conference “Meat the Future” where again we signposted our strategy of Supporting, Developing, Promoting and Protecting the Scottish red meat sector. Key topics included tackling our challenges from anti red meat organisations, the benefits of red meat to human health, the importance of high animal welfare and our contribution to sustainable production, as well as the launch of our new marketing strategy and implementation plans for local, national, and international markets.

However, the arrival of COVID-19 changed everything. Almost overnight the food service market closed, exports became almost impossible and retail consumer demand for red meat and other food products increased seismically. The whole supply chain had to react; farmers, livestock hauliers, auction marts, processors, feed merchants, butchers, retailers, restaurants, and cafes all had to adhere to social distancing measures and learn a completely new language including phrases like lockdown, furloughing, new normal, self-isolation, key workers and support bubbles to name but a few!

Within days auction marts had developed new operating protocols with only buyers allowed at the ring, processors had introduced social distancing measures to ensure processing lines remained operating, butchers developed e-commerce delivery and click and collect capability, retailers increased the number of home delivery slots available at their stores, catering butchers started selling direct to consumers and changing large food service packs into retail packs. There was a real paradox of increasing retail demand and lower farm gate prices. However, this quickly started to change and prices for cattle, sheep and pigs rose and have continued to do so steadily throughout the year.

Before Covid-19, 60% of meals were home-cooked in the UK. This has now increased to 72% and it is estimated just over 500 million more meals will be consumed indoors every week, with evening meals rising by 23%. A new generation has started to reconnect with their food and farmers have gained a positive reputation for feeding the nation during a worldwide health crisis. The world wants to eat local and this gives opportunities as well as challenges.

As well as coping with changes in consumer behaviour and changed work practices we also have been planning for how the Scottish red meat sector will prosper in a post EU world. There are many changes and challenges to deal with, however we are confident that the resilience that the Scottish red meat sector has demonstrated in 2020 will continue and pragmatic solutions will be found to meet the needs of our customers locally, nationally, and internationally.

2020 – 21 has given us an opportunity to re-set the Scottish red meat sector, we will capitalise on consumer goodwill and shout about our actions to mitigate climate change and the contribution that the red meat sector is making towards national targets. COP 26 coming to Glasgow in 2021 will give

a real focus to this. Economically this has been a year where many sectors including hospitality, tourism and food service have been severely challenged. QMS will be focused on providing leadership for our industry and Government in Scotland. Supply chain profitability is essential to develop a confident sector that invests in its future. To achieve our aim, we will work collaboratively with the whole red meat supply chain and Government, to bolster supply chain efficiency, brand integrity and consumer confidence.

For the 2020/21-year QMS activities were undertaken under the overall strategy of working “to shape a sustainable and prospering Scottish red meat industry” and four strategic aims which were agreed by the Board. Underpinning these was an implementation plan of activities for the separate departments at QMS through which the work of the organisation is delivered. These objectives were further supported by a list of activities and performance measures which are specified in a detailed management plan. The activities and their performance measures are reviewed at Board meetings using a brown/ red/amber/green status system. At the end of the year the completed plan is reviewed and the achievement of the performance measure by strategic objectives is shown below.

The total at the bottom highlights the 211 planned activities for the year which have been summarised by strategic objective. The BRAG system summaries the number of projects that we planned to deliver during the year. B for brown highlights the number of projects that we were unable to start during the year due to Covid-19 totaling 23. R for red highlights the number of projects that we started but were unable to complete, A for amber is the number of projects that we started but did not complete within the financial year as expected and G for green is the number of projects completed during the year.

Strategic Aim	B	R	A	G	Grand Total
To develop a profitable and sustainable Scottish red meat industry	3	3	3	12	21
To promote a profitable and sustainable Scottish red meat industry	12		16	100	128
To protect a profitable and sustainable Scottish red meat industry	2	1	3	13	19
To support a profitable and sustainable Scottish red meat industry	6	3	7	27	43
Grand Total	23	7	29	152	211

In these challenging times we had to adjust to the seismic shift that Covid-19 presented. A number of planned activities had to be postponed including all of our international trade shows and local events including the Royal Highland Show and the Taste of Grampian. Our on-farm industry development work and our education work in schools had to change. Instead of our planned on site and in school visits, we developed a series of technical podcasts, conducted virtual on farm meetings and developed an online learning resource “Farming Foodsteps” that can be used by teachers to demonstrate to school children exactly where their food comes from.

We also developed a GB wide £1.5M advertising campaign in partnership with the Agriculture, Horticulture, Development Board (AHDB) and Meat Promotion Wales (HCC) at the start of the pandemic which encouraged consumers to shop local and support their local butcher etc. In these exceptional circumstances it led to a return on investment of £15.00 worth of sales for every £1.00 invested.

We also had to maintain business as usual and key highlights included:-

- After more than 10 years negotiating, we have agreed the long-term solution for the repatriation of levy with the 3 Governments and AHDB and HCC. This included getting a Ministerial Amendment included in the UK Government Agriculture Act 2020. This means that our levy income will increase by circa £1.2M per year from 1st April 2022, this equates to an annual increase of more than 25% on existing levy income.
- Developed a proof-of-concept study into the potential introduction of DNA testing for the Scottish beef herd. This has been presented to Scottish Government and we are developing a full business case to roll out a multi-million pound programme that could create a unique database for Scottish cattle, meaning we have fully traceability and we have genetic records that could improve product consistency and improve eating quality.
- Engaged effectively with key stakeholders and redesigned, updated and implemented our quality assurance standards for cattle & sheep, pigs, auction marts, livestock hauliers and feed merchants.
- Significantly increased our political engagement both in Scotland and in Westminster, which has enabled us to raise key issues due to Covid-19 and Brexit.
- Delivered 5 meetings of the Scottish Red Meat Industry Resilience Group. The Group is Chaired by the Chair of QMS and includes the Chairs from the National Farmer Union of Scotland, Scottish Association of Meat Wholesalers, Institute of Auctioneers and Appraisers, Scottish Craft Butchers, Young Farmers Club. The Pig Leadership Forum, Scottish Beef Association and the National Sheep Association. This has led to effective engagement and collaborative working. This culminated in joint policy responses to both the Scottish and UK consultations on the transport of live animals and the start of a project to develop a joined up policy paper on public procurement for the red meat sector.

- Revamped our Scotch Butchers Club and developed a new marketing offer which has led to the recruitment of an additional 71 new members.
- Effectively engaged with all of the major retailers and agreed methods of support for our brands in line with State Aid rules.
- Commenced the production of Ambition 2030 A Beef Strategy for the Scottish red meat sector.
- The production of Enterprise Profitability, Green House Gases report and Red Meat Industry Profile publications.
- Realigning our marketing started based on extensive consumer research leading to a 180 degree change in strategy. This means we have switched our marketing tactics to target 18–39-year-olds using social media, influencers, and user generated content as well traditional above the line activities.
- Influenced Government policy by participating in policy initiatives including the Future Food & Farming Group and in the Suckler Beef Climate change group
- Protected the industry by developing our “Talk positively about red meat” campaign to combat our challenge areas of animal welfare, human health and environmental sustainability.

We also had to deal with many challenges including:-

- Switching our annual quality assurance of more than 10,000 members to remote assessment using new technologies.
- Covid-19 continues to be a major challenge to some of our workstreams especially the sustainable red meat action groups which have suffered several false starts due to the timing of Covid-19 lockdown measures and the closure of abattoirs due to Covid-19 outbreaks.
- Responding to the many unknowns resulting from the UK leaving the European Union which has led to a 70% reduction in red meat exports to the EU.
- The fragility of the Scottish pork supply chain as demonstrated recently with the temporary closure of the largest pork abattoir in Scotland to control a Covid-19 incidence outbreak, leading to us applying derogations for our pork brand.

- Abattoir monitoring for pig health work continues to be almost impossible for the most part due to Covid restrictions and plant closures due to staff infections which has unfortunately meant that we have missed almost an entire year of health monitoring data.
- The creation of new policies and procedures to comply with the current global pandemic to keep all staff informed and aware of the current situation and adapting to the continual change in regulations.

INCOME

During the year, QMS received £3.93m (2019/20 - £3.98m) in statutory red meat levy. Levy income contributes towards covering the cost of working with the Scottish red meat industry to improve its efficiency, profitability and sustainability. Consumer assurance scheme fee income of £1.55m (2019/20 - £1.57m) is charged on a cost recovery basis and is used to cover the cost of assurance audits, which were outsourced to Lloyds Register as well as the management and administration of the various assurance schemes. Other income received includes £0.35m (2019/20 - £0.59m) in grants and £1.84m (2019/20 - £0.26m) in repatriated ring-fenced funds, bank interest and other miscellaneous income.

STATUTORY RED MEAT LEVY £3.927M

	2020-21	2019-20
Cattle	£2,514,722	£2,493,732
Sheep	£ 964,960	£1,019,132
Pigs	£ 447,095	£ 463,830
TOTAL	£3,926,777	£3,976,694

LEVY RATES FOR 2020/21

SPECIES	PAID BY PRODUCER PER HEAD	PAID BY SLAUGHTERER PER HEAD	TOTAL LEVY PER HEAD
Cattle	£4.20	£1.30	£5.50
Calves (up to 68kg)	£0.07	£0.07	£0.14
Sheep	£0.60	£0.20	£0.80
Pigs	£1.02	£0.24	£1.26

QUALITY ASSURANCE SCHEME FEE INCOME £1.552M

From a financial perspective, the Assurance Schemes are designed to be non-profit making. Fees charged to members cover the cost of inspections and the administration of the schemes. The overall purpose of the schemes is to provide consumers with assurances in relation to food safety, animal welfare and environmental protection and to remind farmers and others of the importance of assurance in the marketplace.

GRANT INCOME

	2020-21	2019-20
Scottish Government	£83,509	£569,656
Others	£262,958	£15,888
TOTAL	£346,467	£585,544

QMS received three grants from the Scottish Government. The grants from the Scottish Government's Knowledge Transfer and Innovation Fund (KTIF) fund the Monitor Farm Programme which is managed jointly by QMS and AHDB Cereals and Oilseeds and the DNA Project. Other grant income includes funds from Scotland Food and Drink which form part of the post COVID food industry recovery plan and an Opportunity North East (ONE) grant which contributes to the costs of the North East Pig Business network, including the Pig Monitor Farm. Both KTIF and ONE projects focus on the sharing of best practice to improve the productivity, profitability and sustainability of Scottish farmers.

RING-FENCED FUND INCOME & LEVY REPATRIATION

Historically QMS did not have access to around £1.4 million of levy income. This money is collected outwith Scotland as a result of Scottish livestock being slaughtered in England or Wales. In late 2015 the three GB red meat levy boards submitted a briefing document to Ministers in England, Scotland and Wales outlining an alternative option for the distribution of red meat levy income.

During this financial year the UK Agricultural Act, which contained the legal mechanism for levy repatriation, came into force. In addition, the 3 Governments and levy Boards agreed that implementation process. This has resulted in the Ring-Fenced Fund being replaced and that in future the farmers levy will be paid by each levy Board to each other for animals processed in one country that have been born and raised in another in line with the agreed process.

During 2020 / 21 we led on the "Make It" UK wide marketing campaign for the 3 levy Boards, the £1,521,680 received was used for the benefit of levy payers in the 3 jurisdictions. The expenditure for the campaign was directed through the QMS Weber Shandwick supplier account and the additional expenditure is reflected in the increased expenditure figure for Marketing and Comms.

The table below shows the external spend for the Make It campaign together with reimbursement of our staff costs to deliver it and re-imbursement of costs that we have to pay directly for collaborative export working.

ACTIVITY	2020-21	2019-20
National campaign	£1,521,680	£0
Re-imbursement for QMS Export Activity costs	£34,876	£106,579
Contribution to QMS staff Costs	£245,000	£115,000
TOTAL	£1,801,556	£221,579

EXPENDITURE

Details of expenditure breakdown are shown in the notes to the accounts and in particular notes 3 and 4. The following table expenditure by department and key activities.

DEPARTMENT	EXPENDITURE	KEY DELIVERABLES
Marketing & Comms	£4,367,798	<p>National Marketing Campaign in partnership with AHDB & HCC.</p> <p>Rebrand of the Scotch Butchers Club.</p> <p>Development of online learning resources Farming Food steps</p> <p>Development of Positive conversations about red meat campaign</p> <p>PR campaign to protect and promote the industry.</p> <p>Trade marking our brand logos and development of a new sustainable beef quality marque.</p>
Industry Development	£ 539,594	<p>Development of a series of expert technical podcasts throughout the year.</p> <p>Creation of an online learning resource promoting identification of carcass weights.</p> <p>Series of technology-based seminars to provide learning opportunities to our sustainability groups.</p> <p>Developing a Monitor Farm legacy programme.</p>
Economic Services	£ 271,852	<p>Production of Enterprise costings for the red meat sector</p> <p>Developing GHG study</p> <p>Production of the Scottish red meat sector industry profile</p>

DEPARTMENT	EXPENDITURE	KEY DELIVERABLES
Strategic Engagement	£ 124,504	Development of the Scottish beef sector strategy.

		<p>Working with the Scottish Red Meat Resilience Group to develop industry position papers and responses to industry consultation and</p> <p>Developing our public affairs strategy.</p> <p>Developing a strategic engagement plan for regular and planned engagement with key stakeholders.</p>
Market Development	£ 246,698	<p>Redevelopment of the Scotch Butchers Club including new web site and marketing collateral.</p> <p>Establishing the Scottish EU Exit working group and red meat sector website hub for Brexit issues.</p> <p>Implemented a formal stakeholder engagement plan to regularly engage with key retailers and processors.</p> <p>Delivered a Virtual Foodservice Roadshow in conjunction with SDI in the absence of international trade shows.</p> <p>Implemented a monthly audit program to monitor the distribution of our Scotch brands in retail.</p>
Corporate Services	£ 663,141	<p>Moving our accounts, filing system and HR records to the cloud.</p> <p>Developing a new training plan</p> <p>Providing support and information to all staff through the past year in navigating the Covid-19 pandemic.</p>
Brands Integrity	£1,511,206	<p>Switching our annual quality assurance of more than 10,000 to remote assessment using new technologies.</p> <p>Review of our Cattle & Sheep, Pigs, Auction Marts and Livestock Hauliers quality assurance standards, leading to the complete redesign of the standards.</p> <p>Red Tractor contribution fees.</p>

OTHER OPERATING ACTIVITY

Spending on 'Other Operating Activity' includes expenditure on Board, Chief Executive, support staff and central office overheads.

PENSIONS

Details of pension contributions can be found in notes 1(c), 4 and 15 of the accounts.

PAYMENT POLICY

It is QMS's policy to settle all debts within 30 days unless otherwise specified in the contract, and to observe the CBI prompt payment code. On average, QMS settled its debts within 23 days during 2020/21 (2019/20 – 27 days).

Signature: 
Alan Clarke (Jun 4, 2021 10:57 GMT+1)

Email: aclarke@qmscotland.co.uk

Alan Clarke

Chief Executive and Accountable Officer

Date: Jun 4, 2021

THE ACCOUNTABILITY REPORT

1. CORPORATE GOVERNANCE REPORT

BOARD REPORT

RELATIONSHIP WITH SCOTTISH GOVERNMENT

QMS is an executive NDPB, operating within the terms of a management statement and financial memorandum agreed with its sponsor department within the Scottish Government.

The Chair and Board members are appointed by Scottish Ministers in accordance with the code of practice for ministerial appointments to public bodies in Scotland issued by the Commission for Ethical Standards in Public Life in Scotland. The Board has a code of conduct for Board members approved by Scottish Ministers. The Board operates an Audit and Risk Management Committee and a Remuneration Committee to scrutinise activity in these areas and make recommendations to the Board.

Board members who served during the year were:

Kate Rowell (Chair) (R)	Andy McGowan
Julie Fitzpatrick (R)	Charles Milne
Jock Gibson	George Milne (A) (R)
Scott Henderson	Philip Sleight
Ann Irvine (A)	Gordon Wallace
Sarah Mackie	Louise Welsh (A)

Please note:-

R indicates membership of the Remuneration Committee.

A indicates membership of the Audit and Risk Management Committee.

Information on fees earned by Board members can be found in the remuneration report.

Chief Executive Alan Clarke

PERSONAL DATA INCIDENTS

There have been no incidents relating to the loss of personal data during the year.

CHARITABLE DONATIONS

No charitable donations were made during the year.

INDEPENDENT AUDITORS

The accounts are audited by Audit Scotland as appointed by the Auditor General for Scotland. Details of auditors' remuneration can be found in note 6 to the accounts.

STATEMENT OF BOARD'S AND ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under section 12(4) of the Quality Meat Scotland Order 2008, QMS is required to prepare a statement of accounts for each financial year, in conformity with the direction of the Scottish Ministers.

The statement of accounts is prepared on an accruals basis and must give a true and fair view of the state of affairs of QMS, the income and expenditure, recognised gains and losses and cash flows for the financial year.

The composition of the Board of QMS is disclosed on page 19. Details of the Accountable Officer, who is the Chief Executive of QMS, are reported on page 28.

In preparing the accounts, the Accountable Officer is required to comply with the Financial Reporting Manual (FReM) and in particular to:

- observe the accounts direction, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed and disclose and explain any material departures in the accounts;
- prepare accounts on a going concern basis.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which an Accountable Officer is answerable, for keeping proper records, and for safeguarding assets, are set out in the Public Finance and Accountability (Scotland) Act 2000.

The Board has corporate responsibility for ensuring that QMS fulfils the overall aims set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources, in accordance with the principles of Best Value.

As Accountable Officer, I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

DISCLOSURE OF RELEVANT AUDIT INFORMATION

All reasonable steps have been taken to ensure that all relevant audit information has been disclosed to the auditor and to the best of our knowledge; there is no relevant audit information of which the auditor is unaware.

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Accountable Officer, I have responsibility for maintaining a sound system of internal control to underpin the achievement of QMS's strategy, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate risk of failure to achieve specific strategies; it can therefore only provide reasonable and not absolute assurance of effectiveness. No significant weaknesses have been identified.

The system of internal control is based on a continuing process, designed to identify the principal risks to the achievement of QMS's specific strategies, to evaluate the nature and extent of those risks and to manage them effectively and economically. This process was in place throughout the year to 31 March 2021 and up to the date of the approval of the annual report and accounts.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The following framework was in place for the year which ended 31 March 2021, covering a range of corporate governance requirements.

THE GOVERNANCE FRAMEWORK

QMS's governance framework is clearly defined within the context of the Framework Document which specifically addresses:

- The functions, duties and powers of QMS;
- Aims, objectives and targets;
- The responsibilities of the chair, the board and the chief executive;
- Planning, budgeting and control;
- External accountability;
- Staff management;
- Reviewing QMS's role; and
- Key financial and operating procedures.

The governance framework is further supported by the QMS Scheme of Delegation, Board Standing Orders and Board Code of Conduct.

The QMS board, including the chair, consists of 12 members appointed by Scottish Ministers in line with the Code of Practice issued by the Commissioner for Public Appointments in Scotland. The Board has corporate responsibility for ensuring that QMS fulfils the aims and objectives set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources by QMS in

accordance with the principles of Best Value. The Board met 6 times by video conferencing due to COVID-19.

The Board in pursuit of its wider corporate responsibilities, shall:

- establish the overall strategic direction of QMS within the needs of the industry and the policy, planning and resources framework determined by the Scottish Ministers;
- ensure that Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of QMS or on the attainability of its targets and determine the steps needed to deal with such changes.

The Chair is appointed by Scottish Ministers in line with the Code of Practice issued by the Commissioner for Public Appointments in Scotland. The chair is accountable to the Scottish Ministers and may also be held to account by the Scottish Parliament. Communications between the NDPB board and the Scottish Ministers should normally be through the chair. The Chair has a particular leadership responsibility in formulating the Board's strategy;

The Chief Executive of QMS is designated as Accountable Officer by the Principal Accountable Officer of the Scottish Administration in accordance with Sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises at least three Board members appointed by the Board and has written terms of reference, which are also approved by the Board. The terms of reference outline the make-up, authority and duties of the committee. The Audit and Risk Management Committee met 3 times in the 2020/21 year. The minutes of the Audit and Risk Management Committee can be found on the QMS website:

www.qmscotland.co.uk/search/site/audit%2520meeting

RISK MANAGEMENT/RISK REGISTER

Responsibility for the risk management process lies with the Board, which is provided with information and guidance by the Audit and Risk Management Committee and the senior executive team.

With the assistance of an appointed internal auditor, QMS has developed its risk management policy. We have worked to update our risk register to ensure that the Board is aware of the key issues that we are facing at any point in time. The register is examined regularly by the QMS executive team and reviewed by the Audit and Risk Management Committee and the appointed internal audit consultants; this will continue to be developed in 2021/22.

The Board acknowledges the potential ongoing risks to the Scottish red meat industry from COVID-19 and plans were developed to show our Response, how we assist to Re-Set and Re-Set the

sector, and how we support a planned Recovery. We also managed the risks to the sector when the transition period finished and the UK formally left the EU during this financial year.

Risk or Uncertainty Trend	Description	Risk Appetite	Key Mitigations
World Wide Pandemic	COVID-19 has provided significant turbulence in the Scottish Red Meat Sector	QMS will continue working to ensure that the Scottish red meat supply chain operates as normally as possible. The pork sector has been especially badly hit by Covid outbreaks and the loss on key international markets.	<p>A detailed plan covering 4 key stages of Response, Re-Set, Restart and Recover has been developed for each part of the red meat supply chain and for QMS as an organisation.</p> <p>We have been working closely with Scottish Government to identify targeted support to the pork sector.</p>
<p>In March 2020 the COVID-19 pandemic reached the UK and the country was put into lockdown. This had an immediate impact on the sector with the food service market closed overnight, auction marts and processors unable to operate as normal due to social distancing measures and a seismic shift in consumer behaviour meaning that supermarket shelves were empty for days and in some cases weeks. This turbulence also provided opportunities for butchers and catering butchers to realign their business model and move to click and collect and direct to consumer. This has given many challenges but looking forward this has tested the resilience of the Scottish red meat sector and our recovery plan will assist to enhance the sectors resilience to cope with future crises.</p>			

Risk or Uncertainty Trend	Description	Risk Appetite	Key Mitigations
EU Exit	Impact of reduced trade with the EU due to additional costs due to additional administration procedures including Export	This could be Particularly difficult for the sheep sector. QMS are committed to maintaining and building our	In partnership with AHDB and HCC we have development a significant marketing campaign to assist to protect the lamb sector.

	Health Certificates and the added complications of the Northern Ireland Protocol.	sheep meat markets.	Engaging with UKCEP to get more Scottish abattoirs licensed to export. Working with the Scottish and UK Governments to develop contingency plans
The potential closure of the European market, even on a temporary basis will give the sector major challenges. Looking forward we have developed contingency plans should this happen as there could be a major animal welfare issue for the sheep sector.			
International trade negotiations and currency fluctuations	Concern over access to international markets in future trade deals	QMS are committed to Assisting processors to build on existing markets and develop new high quality and fifth quarter markets.	Maintain close contact with processors to share knowledge. Promote political and industry awareness of impact. Working in partnership with AHDB, HCC to exhibit at international trade shows to promote our world class brands and UKECP to develop the capability and capacity of processors to export.
COVID-19 has led to almost all international trade shows being cancelled this year. Looking forward in partnership with AHDB and HCC we are developing a calendar of trade shows, developing a new QMS trade show stand and identifying a series of inward missions to reinvigorate our export activities.			

Risk or Uncertainty Trend	Description	Risk Appetite	Key Mitigations
Meeting the Scottish Government Targets on Climate Change	The Scottish Government have developed a Climate Change Plan 2018 – 2032, which has been updated to reflect the world’s most ambitious framework of climate targets as enshrined in	QMS are committed to working with the Scottish red meat sector to meet these challenging targets.	Supporting the work of the Farmer led Groups tasked with identifying how farmers can reduce their carbon footprint and reduce emissions from farming practices. Identify and disseminate actions being undertaken by the Scottish red meat sector to meet these targets.

	Scotland's Climate Change Act 2019.		Lead the Scottish Red Meat Resilience Group to agree our strategy for sustainable farming and influence policy makers highlighting the actions we have taken.
<p>Scotland has the most ambitious climate legislation in the world. Our 2030 target of 75% reduction goes beyond what the Intergovernmental Panel on Climate Change says is needed globally to prevent warming of more than 1.5 degrees. It is therefore rightly ambitious and extremely stretching. QMS are committed to leading the sector to achieve this.</p>			

Risk or Uncertainty Trend	Description	Risk Appetite	Key Mitigations
Loss of income	Trend of reduction in cattle numbers in Scotland is leading to a 2-3% reduction in cattle levy annually.	QMS committed to reversing this trend.	Working across the red meat supply chain to identify how to increase sales and reduce costs meaning more profitability across the supply chain.
<p>There is significant investment going on in the processing sector which will increase the processing capacity. Looking forward, this means that more animals from outside of Scotland could be processed here. This is a dichotomy for us as we would collect the processor part of the levy on them, but they wouldn't be eligible to carry the Scotch brands.</p>			
Reduction in industry skill levels	This is an issue right across the red meat supply chain	QMS committed to addressing the skills gap in collaboration with Scotland, Food & Drink Skills Development Scotland and learning providers.	<p>Our Industry Development team have refocused their activities and are concentrating on business improvement and widening the understanding of how the supply chain works through our Meat the Market work.</p> <p>We work closely with industry partners including LANTRA and FDFS to promote industry careers.</p>

The lack of skilled labour is a sector wide issue and with the reduction in European and other foreign workers seeking jobs this is a major issue. Looking forward we have identified key roles that have been included in the skills shortage list to enable foreign workers to take up jobs and through our industry development work we are committed to continuous professional development across the sector.

Anti-Red Meat Agenda	Media coverage often based on world wide statistics rather than Scottish data.	QMS Communications Department committed to Proactively promoting our practices and defending our industry.	QMS working with our key stakeholders to develop and agree key messages that can be used in consumer communications for each of our 3 key challenge areas:- Human Health, Animal Welfare and Sustainability including Climate Change.
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Looking forward we aim to use the current lessons learned from COVID-19 in our sustainability and climate change messaging.

FRAUD RISK MANAGEMENT

QMS policies relating to fraud, corruption and bribery are set out in the Staff Handbook. These policies detail the steps taken to manage risk and how to respond to fraudulent or corrupt activity if it is suspected or discovered. Processes are in place to ensure that policies for counter-fraud are consistent with Scottish Government guidance, including a review of current counter-fraud activity. Robust reporting procedures have been adopted by QMS and an Audit and Risk Management Committee is in place to oversee and manage any issues that arise.

There is also a whistle-blower's procedure set out in the Staff Handbook and a member of the Board is appointed so as to be directly available to whistle-blowers.

REGISTER OF INTERESTS

Quality Meat Scotland maintains Registers of Interests that cover all senior managers and Board Members. These can be found on our website:

Board - www.qmscotland.co.uk/qms-board-register-interests-2020-2021

Executive Team - www.qmscotland.co.uk/qms-executive-team-register-interests-2020-2021

SUSTAINABILITY

In recognition of its responsibilities under the Climate Change (Scotland) Act 2009 QMS takes appropriate steps to mitigate, adapt and act in a sustainable manner.

In its work with stakeholders to improve business sustainability, QMS continues to promote awareness of mitigation and adaptation strategies and the adoption of best practice to secure carbon reducing production efficiencies across the supply chain.

PEOPLE

QMS is committed to ensuring that all staff, volunteers, students and customers are treated equally irrespective of their sex, marital status, age, race, ethnic origin, sexual orientation, disability, religion or social background, any pregnancy or maternity, gender reassignment, or marriage / civil partnership status in accordance with the Equalities Act 2010.

We have also introduced several HR procedures and processes including an annual training plan to ensure that we are meeting the needs of our industry and our people.

INDEPENDENT INTERNAL AUDITOR

The appointed internal auditor carried out a review of selected operating systems, and an on-going programme of work has been agreed with the Audit and Risk Management Committee. The results of reviews are advised to the Audit and Risk Management Committee which reports to the Board.

CORPORATE PLAN

QMS publishes an annual rolling five year Corporate Plan, which sets out a review of the industry's operating environment and an overall strategy which is supported by specific strategies. The Corporate Plan includes actions to ensure that QMS complies with best value principles and meets the requirements of the Scottish Government's National Performance Framework.

BUSINESS PLANS AND BUDGETS

The COVID-19 pandemic has meant that some of our future plans that we had developed have been put on hold and interim emergency plans have been developed which include urgent remedial actions as well as some business as usual actions. At our Board meeting on the 10th December 2020 the Board signed off this budget and agreed our interim plans.

REVIEW OF EFFECTIVENESS

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the:

- Work of the internal auditor;
- Input and feedback from the audit and risk management committee;
- Executive managers within QMS who have responsibility for the development and maintenance of the internal control framework, and
- Comments made by the external auditor in management letters and other reports.

Each of these parties is involved in the identification and assessment of areas of operation where review is needed, or is due by virtue of the passage of time since a previous review. Reports are

presented to Audit and Risk Management Committee for confirmation that management action in relation to risks identified, has been implemented.

The measures listed above are sufficient to address any weakness identified and to ensure the continuous improvement of the system.

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Alan Clarke

Chief Executive and Accountable Officer

Date: Jun 4, 2021

2. REMUNERATION AND STAFF REPORT

REMUNERATION COMMITTEE

The Remuneration Committee is made up of three board members, including the board Chair. The Remuneration Committee met 3 times during the 2020/21 year. During 2020/21 the members were:

Julie Fitzpatrick (Board Member)

George Milne (Board member and Committee Chair)

Kate Rowell (Board Chair)

The purpose of the Committee is to:

- Receive an annual report from the Chair of the Board on the performance of the Chief Executive and a recommendation on annual salary review;
- Receive an annual report from the Chief Executive on a proposal for review of staff salaries;
- Make recommendations to the Board on the proposed salary review for the Chief Executive and on the proposal for salary review of staff;
- To ensure compliance with Management Statement and Financial Memorandum guidelines on remuneration;
- To oversee the objective setting and appraisal process for staff and the Chief Executive.

REMUNERATION POLICY

In setting salary levels, the Remuneration Committee has regard to the following considerations:

- The need to recruit, retain and motivate suitably qualified people to implement specific strategies and activities in line with the strategy of the organisation;
- Regional or local variations in labour markets and their effect on the recruitment and retention of staff;
- The funds available subject to expenditure limits;
- Other relevant Government policies or targets.

PENSION SCHEMES

QMS operates defined contribution schemes for employees. The assets of the defined contribution schemes are held separately from those of the organisation in independently administered funds.

EQUAL OPPORTUNITIES

QMS is committed to a policy of non-discrimination on any grounds, including race, colour, nationality or ethnic or national origin, religion, gender, sexual orientation, marital status, age, responsibility for dependants, HIV status or disability. This policy applies not only during the course of an individual's employment but also during the selection process, be it the recruitment of external job applicants, the review of internal candidates or in the provision of training and development.

REMUNERATION

This section of the Remuneration Report is subject to audit.

The remuneration and pension contributions of the Chief Executive and Board members are set out in the tables below. Remuneration includes gross salary and fees.

	2020-2021				2019-2020			
	Salary £'000	Benefit £100	Pension £'000	Total £'000	Salary £'000	Benefit £100	Pension £'000	Total £'000
Chief Executive	80-85	-	40-45	120-125	90-95	-	35-40	125-130

* QMS contributes directly to a private pension scheme on behalf of the Chief Executive who is not part of a Government pension scheme arrangement.

BOARD MEMBERS' REMUNERATION AND ATTENDANCE

The remuneration of the Chair and Board members is set out below:

BOARD MEMBER	2020/21 £'000	2019/20 £'000	BOARD MEETINGS ATTENDED
Kate Rowell (Chair)	25-30	45-50	6
Julie Fitzpatrick	0-5	0-5	5
Jock Gibson	0-5	0-5	6
Scott Henderson	0-5	0-5	6
Ann Irvine	0-5	0-5	6
Sarah Mackie	0-5	0-5	6
Andy McGowan	0-5	0-5	6
Charles Milne	0-5	0-5	6
George Milne	0-5	0-5	6
Philip Sleight	0-5	0-5	6
Gordon Wallace	0-5	0-5	6
Louise Welsh	0-5	0-5	6

QMS does not make any pension payments in respect of the Chair or any Board member.

COMPENSATION AND EXIT PACKAGES AGREED IN THE YEAR TO 31 MARCH 2021 (Audited)

	2020/21	2019/20
< £10,000	0	0
£10,000 - £25,000	0	1
£25,000 - £50,000	0	0
Total cost	£0	£23,271

No exit packages related to compulsory redundancy or to Board members.

SICKNESS ABSENCE

During 2020/21, a total of 20 days (2019/20 – 73 days) were lost to sickness absence. This equated to 0.34% (2019/20 – 1.42%) of available staff days.

CONSULTANTS

During 2020/21 QMS spent £36k on consultants during the year (2019/20 - £39k).

FAIR PAY REPORT (AUDITED)

In accordance with the requirements of the Hutton Fair Pay Review, QMS is required to disclose the relationship between the remuneration of the highest paid executive of QMS and the median remuneration of QMS's staff.

The annualised banded remuneration, excluding pension benefit, of the highest paid executive employed by QMS during the financial year 2020/2021 was £80k–£85k (2019/20: £90k–£95k). The range of remuneration for 2020/21 commenced at £20k–£25k (2019/20: £10k–£15k). The median staff remuneration was £37,453, a ratio of 2.15 times to the highest paid executive (2019/20: £35,000, 2.57 times). In 2020/21 and 2019/20, no employees received remuneration higher than the annualised amount paid to the Chief Executive. Total remuneration includes salary and benefits in kind. It does not include employer pension contributions.

STAFF COSTS AND AVERAGE NUMBERS

For the year ended 31 March 2021, we employed a total of 26 permanent staff (23 in 2019/20). There were no staff on temporary contracts (nil – 2019/20).

Total staff costs for 2020/21 were £1,405k (2019/20: £1,248k). Further breakdown of staff costs is included in Note 4 on page 35.

STAFF COMPOSITION

The gender split of the average full-time equivalent staff employed across the QMS in 2020/21 was 16 (62%) female and 9 (38%) male (2019/20: 71% female, 29% male). The gender split of the Board in 2020/21 was 7 (58%) male and 5 (42%) female: (2019/20 58% male, 42% female). The Chief Executive and Accountable Officer of QMS is male.

Signature: 
Alan Clarke (Jun 4, 2021 10:57 GMT+1)

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Alan Clarke

Chief Executive and Accountable Officer

Date: Jun 4, 2021

Independent auditor's report to the members of Quality Meat Scotland, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Quality Meat Scotland for the year ended 31 March 2021 under the Quality Meat Scotland Order 2008. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Cash Flow Statement, the Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 January 2018. The period of total uninterrupted appointment is 4 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income**Opinion on regularity**

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements**Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report**

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers.

Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Signature: Peter Lindsay
Peter Lindsay (Jun 4, 2021 10:59 GMT+1)

Email: plindsay@audit-scotland.gov.uk

Peter Lindsay
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow, G2 1BT
4 June 2021

Quality Meat Scotland

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ended 31 March 2021

	Note	2020-21 £	2019-20 £
Income	2		
Statutory red meat levy		3,926,777	3,976,694
Consumer assurance scheme fees		1,552,519	1,573,622
Other income		2,172,560	829,874
Total operating income		<u>7,651,856</u>	<u>6,380,190</u>
Expenditure			
Staff employment and board costs	4	1,472,534	1,322,342
Depreciation		31,316	28,283
Other operating costs	3	6,220,942	5,152,080
Total operating expenditure		<u>7,724,792</u>	<u>6,502,705</u>
Net operating expenditure		(72,936)	(122,515)
Finance income	5	14,784	15,062
Net expenditure for the year		<u><u>(58,152)</u></u>	<u><u>(107,453)</u></u>

There is no other comprehensive income for the year.

The notes on pages 41 to 47 form part of these financial statements.

Quality Meat Scotland**STATEMENT OF FINANCIAL POSITION****As at 31 March 2021**

	Note	2021 £	2020 £
Non-current assets			
Property, plant and equipment	7	46,014	61,132
		<hr/>	<hr/>
Current assets			
Trade receivables and other current assets	8	1,225,082	1,179,729
Deposits and advances	9	361,886	1,125,702
Cash and cash equivalents	10	1,143,305	379,577
Total current assets		<hr/> 2,730,273	<hr/> 2,685,008
Total assets		2,776,287	2,746,140
Current liabilities			
Trade payables and other current liabilities	11	1,617,433	1,529,134
Total current liabilities		<hr/> 1,617,433	<hr/> 1,529,134
Assets less liabilities		<hr/> <u>1,158,854</u>	<hr/> <u>1,217,006</u>
Reserves			
General reserve		<hr/> <u>1,158,854</u>	<hr/> <u>1,217,006</u>

The financial statements on pages 37 to 47 were approved and authorised for issue by the Board Members on 4th June 2021 and signed on its behalf by:

Signature: Alan Clarke
Alan Clarke (Jun 4, 2021 10:57 GMT+1)

Email: aclarke@qmScotland.co.uk
Alan Clarke
Chief Executive and Accountable Officer
Quality Meat Scotland
Date: Jun 4, 2021

The notes on pages 38 to 44 form part of these financial statements.

Quality Meat Scotland

CASH FLOW STATEMENT

For the year ended 31 March 2021

	Note	2020-21 £	2019-20 £
Cash flows from operating activities	(note a)	1,326	(33,065)
Cash flows from investing activities	(note b)	747,618	(44,448)
Cash flows from financing activities	(note c)	14,784	15,062
Increase/(decrease) in cash in the year		<u>763,728</u>	<u>(62,451)</u>

Notes to the Cash Flow Statement

a) Cash flows from operating activities			
Net operating (deficit)		(72,936)	(122,515)
Adjustment for non-cash items			
- Depreciation		31,316	28,283
Decrease/(increase) in trade receivables		(45,353)	(86,536)
Increase/(decrease) in trade payables and other current liabilities		88,299	147,703
Net Cashflow from operating activities		<u>1,326</u>	<u>(33,065)</u>
b) Cash flows from investing activities			
Purchase of property, plant and equipment		(16,198)	(27,027)
Loss on disposal of property, plant and equipment		0	234
Withdrawal/(deposit) of cash to UK clearing bank fixed term deposit account		763,816	(17,655)
		<u>747,618</u>	<u>(44,448)</u>
c) Cash flows from financing activities			
Interest received		14,784	15,062
		<u>14,784</u>	<u>15,062</u>

Net financing

QMS has no borrowing or finance lease obligations. Accordingly the net funds of the organisation are equal to its cash balances.

	2020-21 £	2019-20 £
Net (decrease) in cash and cash equivalents in the year	763,728	(62,451)
Cash and cash equivalents at beginning of year	379,577	442,028
Cash and cash equivalents at end of year	<u>1,143,305</u>	<u>379,577</u>

Quality Meat Scotland

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2021

	General Reserve £	Total Reserves £
Balance at 31 March 2019	1,324,459	1,324,459
Changes in taxpayers' equity for 2019-20		
Deficit for the year	<u>(107,453)</u>	<u>(107,453)</u>
Total comprehensive income for 2019-20	(107,453)	(107,453)
Balance at 31 March 2020	1,217,006	1,217,006
Changes in taxpayers' equity for 2020-21		
Deficit for the year	<u>(58,152)</u>	<u>(58,152)</u>
Total comprehensive income for 2020-21	(58,152)	(58,152)
Balance at 31 March 2021	<u><u>1,158,854</u></u>	<u><u>1,158,854</u></u>

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2021

1. Statement of accounting policies

The financial statements have been prepared in accordance with the Accounts Direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 and in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adopted or interpreted for the public sector context.

The financial statements have been prepared using accounting policies, and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in International Accounting Standard (IAS) 8: Accounting Policies, Changes in Accounting Estimates and Errors. Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note. The fundamental accounting concepts of going concern and accruals have been applied consistently.

The accounting policies adopted by QMS have been applied consistently in dealing with items considered material in relation to the accounts.

a) Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention modified in a form determined by Scottish Ministers.

b) Assets policy

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition.

Depreciation is provided on all property, plant and equipment, so as to write them off over their anticipated useful lives at the following annual rates:

Computer Equipment	Written off over 3 years
Furniture, fittings and equipment	Written off over 5 years

All items of capital expenditure greater than £250 are treated as additions to property, plant and equipment.

c) Pension arrangements

The organisation operates defined contribution schemes for employees. The assets of the defined contribution schemes are held separately from those of the organisation in independently administered funds. The amount charged to the Statement of Comprehensive Net Expenditure, represents the contributions payable to the schemes in respect of the accounting year.

d) Grants

Grants of a revenue nature are credited to the Statement of Comprehensive Net Expenditure in the year in which they accrue.

Grants for the purchase of property, plant and equipment are treated as deferred income and credited to the Statement of Comprehensive Net Expenditure over the estimated useful life of the relevant

e) Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2021

f) Foreign currencies

Transactions in foreign currency are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

All differences are taken to the Statement of Comprehensive Net Expenditure.

g) General reserve

The General reserve represents the surplus or deficit on the Statement of Comprehensive Net Expenditure.

h) Financial instruments

Financial assets include trade receivables, fixed term cash deposits and cash balances. Financial liabilities consist of trade payables. These are all carried in the Statement of Financial Position at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- No early repayment or impairment is recognised.
 - Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
 - The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- An impairment review is carried out for all financial assets at the Statement of Financial Position date.

i) Credit risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other third parties, as well as credit exposures to QMS's customers. QMS has formal treasury management procedures and invests surplus cash with government supported high street clearing banks. A review of QMS's treasury management policy was under-taken during 2020-21.

QMS now reviews the credit risk associated with financial institutions on a regular basis if market conditions are volatile or other information is made available on the financial security of UK banks and building societies.

j) Liquidity risk

QMS does not have any external borrowings.

k) Market risk

Changes in market interest rates influence the interest payable on interest receivable on surplus funds invested. QMS does not rely on interest receivable as its key source of income.

l) Revenue recognition

Revenue is recognised and included in income when the following conditions are met.

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2021

Statutory red meat levy

Statutory red meat levies consist of two parts: the producer levy and the slaughterer levy. The producer element is collected and held in trust for QMS by slaughterers who pay the levy direct to QMS. Levy is calculated on the number of animals slaughtered and these details are notified to QMS through the completion of regular declarations. Abattoirs inform QMS on a weekly basis of the number of animals which they have slaughtered that were subject to levy. Smaller abattoirs are permitted to submit declarations on a less frequent basis. In all cases the number of animals slaughtered is broken down by category, i.e. pigs, cattle, sheep, calves. Slaughterers are required to pay the levy due within 30 days of the end of the month, for animals slaughtered in that month.

The value of statutory red meat levies recognised in the accounts of QMS is a combination of actual levy invoices raised for animals slaughtered within the period 1 April to 31 March and an estimate for any declarations not yet received for the same period.

Grant income

Government grant income to QMS is for the delivery of specific programmes of work and is recognised in the Statement of Comprehensive Net Expenditure in the period in which it becomes receivable.

Consumer Assurance Scheme Fees

Consumer Assurance Scheme Fees are based on inspection services provided in the year.

m) New accounting standards

All new standards issued and amendments made to existing standards are reviewed by Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM which is in force for the year in which the changes become applicable. The standard which is considered relevant to QMS and the anticipated impact on the annual accounts is as follows:

IFRS 16 - Leases

This standard has been created to harmonise the rules regarding leases between the IASB and the FASB in the United States. It will supersede the existing IAS 17 and was due to come into effect in the public sector on 1 April 2020 but this has now been deferred until April 2022. The effect of IFRS 16 will be to reclassify leases which were previously treated as operating leases, requiring capitalisation of the underlying assets. This will impact on QMS's annual accounts. All future lease payments would require to be recognised as a Right of Use (RoU) Asset together with a corresponding lease liability in the Statement of Financial Position. Lease payments will no longer be made through the Statement of Comprehensive Net Expenditure (SoCNE) and instead will be accounted for by charging depreciation on the RoU asset and interest on the liability. Work is on-going to assess the likely impact to i) comprehensive net expenditure and ii) the Statement of Financial Position of applying IFRS 16.

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2021

	2020-21	2019-20
	£	£
2. Income		
Statutory red meat levy	3,926,777	3,976,694
Consumer assurance scheme fees	1,552,519	1,573,622
Grant income	346,467	585,544
Ring-fenced Funding	1,801,556	221,579
Other income	24,537	22,751
	<u>7,651,855</u>	<u>6,380,190</u>

Ring Fenced Funding received in 2020/21 includes £1.522 million received to fund a UK wide marketing campaign for the 3 levy boards and the matching expenditure for the campaign is contained within the Marketing and Communications expenditure line with Note 3 – Operating Expenditure below. See Note 13 – Related Party Transactions for more details

	2020-21	2019-20
	£	£
3. Operating expenditure		
Marketing and Communications	3,972,782	2,182,138
Consumer assurance scheme costs	1,414,183	1,444,402
Industry development	323,326	769,905
Economics services	140,805	147,368
Strategic Engagement	16,680	1,943
Market Development	89,243	304,258
Other operating activity	263,923	302,067
	<u>6,220,942</u>	<u>5,152,080</u>

4. Staff employment and board costs

Costs include the following:	2020-21	2019-20
	£	£
Staff		
Salaries	1,125,395	991,265
National Insurance	123,072	104,708
Pension costs	156,577	151,663
	<u>1,405,044</u>	<u>1,247,636</u>

The average number of persons employed during the year was 26 (2019/20 - 23).

Board members

Emoluments for qualifying services	62,640	68,635
National Insurance	4,850	6,072
	<u>67,490</u>	<u>74,706</u>
	<u>1,472,534</u>	<u>1,322,342</u>

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2021

5. Finance income

	2020-21 £	2019-20 £
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Bank interest	<u>14,784</u>	<u>15,062</u>
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6. Operating costs

The following have been included in operating costs:

	2020-21 £	2019-20 £
Depreciation	31,316	28,283
Operating lease payments	37,094	37,094
Auditors' remuneration - audit services	<u>11,240</u>	<u>10,960</u>

7. Property, plant and equipment	Computer Equipment £	Furniture, Fittings & Equipment £	Total £
Cost			
At 1 April 2019	74,906	44,990	119,896
Additions	23,557	3,470	27,027
Disposals	<u>(31,423)</u>	<u>(260)</u>	<u>(31,683)</u>
As at 31 March 2020	67,040	48,200	115,240
As at 1 April 2020	67,040	48,200	115,240
Additions	16,198	0	16,198
Disposals	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2021	<u>83,238</u>	<u>48,200</u>	<u>131,438</u>
Accumulated depreciation			
At 1 April 2019	46,872	10,402	57,274
Charge	18,888	9,395	28,283
Disposals	<u>(31,192)</u>	<u>(257)</u>	<u>(31,449)</u>
As at 31 March 2020	34,568	19,540	54,108
As at 1 April 2020	34,568	19,540	54,108
Charge	21,779	9,537	31,316
Disposals	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2021	<u>56,347</u>	<u>29,077</u>	<u>85,424</u>
Net Book Value			
At 31 March 2021	<u>26,891</u>	<u>19,123</u>	<u>46,014</u>
As at 31 March 2020	<u>32,472</u>	<u>28,660</u>	<u>61,132</u>

8. Trade receivables and other current assets	2021 £	2020 £
Trade receivables	<u>749,317</u>	<u>653,840</u>
Accrued levy	<u>123,068</u>	<u>98,997</u>
VAT recoverable	<u>175,053</u>	<u>126,114</u>
Prepayments and other accrued income	<u>177,644</u>	<u>300,778</u>
	<u>1,225,082</u>	<u>1,179,729</u>

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2021

	2021	2020
	£	£
9. Deposits and advances		
Short term deposits of up to 12 months invested in deposit accounts with UK clearing bank	<u>361,886</u>	<u>1,125,702</u>

	2021	2020
	£	£
10. Cash and cash equivalents		
Balance at 1 April	379,577	442,028
Net change in cash and cash equivalent balances	<u>763,728</u>	<u>(62,451)</u>
Balance at 31 March	<u>1,143,305</u>	<u>379,577</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	<u>1,143,305</u>	<u>379,577</u>
-----------------------------------	------------------	----------------

	2021	2020
	£	£
11. Trade payables and other current liabilities		
Trade payables	1,034,765	885,872
Accruals and deferred income	375,090	437,695
Tax and social security	35,349	33,337
Statutory levy processor security deposits	172,229	172,229
	<u>1,617,433</u>	<u>1,529,134</u>

12. Commitments under leases

At 31 March 2021, the organisation had total minimum future payments under non-cancellable operating leases as follows:

	Land and Buildings 2021 £	Other 2021 £	Land and Buildings 2020 £	Other 2020 £
Operating leases which expire:				
Within one year	33,297	2,122	33,297	2,122
In the second to fifth years inclusive	0	1,633	0	3,755
	<u>33,297</u>	<u>3,755</u>	<u>33,297</u>	<u>5,877</u>

QMS has entered into a 3 month rolling lease agreement from 1 May 2021 for its offices at the Rural Centre, West Mains, Ingliston.

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2021

13. Related Party Transactions

QMS is a Non-Departmental Public Body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. Scottish Agricultural Organisation Society Limited (SAOS) is considered to be a related party of QMS. QMS incurred expenditure of £0.021m (2019/20 £0.080m) with SAOS in 2020/21.

A number of QMS Board members held senior positions or directorships of red meat processing companies that paid statutory red meat levy to QMS during the year.

Levies were paid by a number of QMS Board members, but these were on an arm's-length basis and the amounts are not considered material.

There are no company directorships or other significant interests that QMS considers may conflict with management responsibilities.

During 2020/21, AHDB ring fenced £3.5 million of red meat levies to be spent on activities which have been jointly agreed with the red meat levy board in Wales and by QMS in Scotland. This recognised that a proportion of cattle, sheep and pigs slaughtered in England spend much of their lives in those countries. These activities provided benefits to levy payers across Great Britain.

As part of the jointly agreed activity, QMS led on the "Make It" UK wide marketing campaign for the 3 levy Boards. The £1.5m cost of the campaign was funded from the £3.5m of AHDB ring-fenced funds and undertaken for the benefit of levy payers in the 3 jurisdictions. The expenditure for the campaign was directed entirely through the QMS Weber Shandwick supplier account and the additional additional income and expenditure is reflected in the increased 'Other Income' and Marketing and Communications expenditure.

14. Pension Schemes

The organisation participates in defined contribution pension schemes for certain employees, the assets of which are held separately from those of the organisation in independently administered funds. The pension cost charge represents contributions payable by the organisation to the schemes and amounted to £156,577 (2019/20: £161,329). The contributions outstanding at the year end amounted to £13,363 (2019/20: £18,812).

Quality Meat Scotland

STATEMENT OF ACCOUNTS

For the year ended 31 March 2021

	2020-21			2019-20		
	Levy	Non Levy	Total	Levy	Non Levy	Total
	£	£	£	£	£	£
Income						
Statutory red meat levy	3,926,777	0	3,926,777	3,976,694	0	3,976,694
Consumer assurance scheme fees	0	1,552,519	1,552,519	0	1,573,622	1,573,622
Grant income	0	346,467	346,467	0	585,544	585,544
Ring-fenced funding	1,801,556	0	1,801,556	221,579	0	221,579
Miscellaneous income	0	24,537	24,537	0	22,751	22,751
Bank interest	0	14,784	14,784	0	15,062	15,062
	5,728,333	1,938,307	7,666,640	4,198,273	2,196,979	6,395,252
Direct expenditure						
Marketing and Communications	4,104,564	263,233	4,367,798	2,300,674	224,917	2,525,591
Industry development	443,127	96,467	539,594	578,787	375,915	954,702
Economics services	271,852	0	271,852	253,657	0	253,657
Assurance scheme operating costs	0	1,511,206	1,511,206	0	1,554,890	1,554,890
Strategic Engagement	124,504	0	124,504	116,030	0	116,030
Market Development	246,698	0	246,698	404,888	0	404,888
Corporate services	663,141	0	663,141	692,947	0	692,947
	5,853,886	1,870,906	7,724,792	4,346,983	2,155,722	6,502,705
Surplus / (deficit) on ordinary activities	(125,553)	67,401	(58,152)	(148,710)	41,257	(107,453)



QUALITY MEAT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 12(5) of The Quality Meat Scotland Order 2008, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2009, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. In respect of section 12(4)b a copy of the statement of accounts should be sent to Scottish Ministers and the Auditor General for Scotland by *31 July* following the financial year ended 31 March. The accounts will be subject to audit by auditors appointed by the Auditor General for Scotland. The Annual Report and audited statement of accounts should be laid before the Scottish Parliament by *30 September* following the financial year ended 31 March.
5. This direction shall be reproduced as an appendix to the statement of accounts.

(David Thomson, Deputy Director, Rural Directorate Food and Drink Industry Division)

Signed by the authority of the Scottish Ministers

Dated: 30 June 2009

20210604 20-21 QMS Final Audited accounts

Final Audit Report

2021-06-04

Created:	2021-06-04
By:	Debbie Phillips (dphillips@qmscotland.co.uk)
Status:	Signed
Transaction ID:	CBJCHBCAABAAMyZpL3uEEO41Zp47Zo6Rxd-5d5gVq8Z6

"20210604 20-21 QMS Final Audited accounts" History



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