



**QUALITY MEAT SCOTLAND  
ANNUAL REPORT AND ACCOUNTS  
For the 12 Months to 31 March 2022**

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## PERFORMANCE REPORT

### 1.0 PURPOSE

Welcome to Quality Meat Scotland's (QMS) annual report and accounts for 2021/22. 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 financial year 2021/22. These are published on the QMS website [www.qmscotland.co.uk](http://www.qmscotland.co.uk). The Scottish red meat sector makes an important contribution to Scotland's rural economy, contributing over £2.1 billion to the annual GDP of Scotland and supporting around 50,000 jobs in the red meat supply chain including the farming, agricultural supply, and processing sectors.

QMS is an executive 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). We market the PGI (Protected Geographical Indication) labelled "Scotch Beef" and "Scotch Lamb" brands in the UK and abroad and promote Scottish pork products under the "Specially Selected Pork" brand. 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, and include: -

- 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. We develop an annual business plan for the year immediately ahead which is consistent with the agreed corporate plan [QMS Corporate Business Plan 21/22 | Quality Meat Scotland \(qmscotland.co.uk\)](http://www.qmscotland.co.uk). The business plan is updated annually by QMS to include implementation plans identifying key targets and milestones for the forthcoming year. It is 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 and Risk Committee and Remuneration Committee as part of our formal governance structure.

## INDUSTRY ENGAGEMENT

The Scottish red meat supply chain is extremely complex and comprises livestock farmers and processors, who pay the red meat levy, however we engage with all the stakeholders that comprise the QMS “footprint.” Therefore, to ensure effective stakeholder engagement we have stakeholder groups covering our marketing activities, industry development activities, and our Standards Setting Bodies who set our Quality Assurance standards for each part of the production supply chain. In addition to this we established the Scottish Red Meat Resilience Group which comprises the Chairs / Chief Executives of our key stakeholder organisations who work together to collaboratively tackle issues that impact the whole production supply chain.

Collaboration is at the heart of the way QMS operates and defines how we engage with our unique footprint. We therefore engage not just with beef and sheep farmers, pig farmers and processors, but also with livestock auction marts, livestock hauliers and feed merchants which cover the whole production supply chain. In addition to this we engage with each of our routes to market and this includes retail butchers, catering butchers, food service providers, retailers, restaurants and chefs. We have our butcher’s marketing advisory group and bi-monthly face to face engagement with retailers.

## STRATEGY AND OPERATIONS

We develop an annual corporate business plan. This is developed with input from the QMS Board, Executive team, and all staff. It sets out the aims and objectives of QMS and of each department within QMS and 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 2022/23 in order to support the achievement of these objectives.

### QMS STRATEGY 2018 – 2023

QMS developed a new 5-year strategy in 2018 [QMS STRATEGY 2018 – 2023](#). This corporate business plan for 2022/23 details each of the following: -

- |   |  |
|---|--|
| ▪ Our Aim   | ▪ Our Purpose  |
| ▪ Our Strategy                                    | ▪ Our 4 strategic aims   |
| ▪ Our strategic objectives for each strategic aim | ▪ A 1-year implementation plan of the activities that we will do to achieve our strategy |

## OUR AIM

### OUR AIM

TO BE RECOGNISED AS THE LEADERSHIP ORGANISATION FOR THE SCOTTISH RED MEAT SECTOR BY OUR LEVY PAYERS, THE SCOTTISH RED MEAT SECTOR AND GOVERNMENT.



## OUR PURPOSE

### OUR PURPOSE

TO ACHIEVE SUPPLY CHAIN PROFITABILITY, THROUGH WORKING COLLABORATIVELY WITH OUR PRODUCTION, RETAIL AND FOOD SERVICE SECTOR STAKEHOLDERS, RESEARCH INSTITUTES AND LEARNING PROVIDERS.


THE PURPOSE OF WHICH IS TO BUILD SUPPLY CHAIN EFFICIENCY, BRAND INTEGRITY AND CONSUMER CONFIDENCE.



## OUR STRATEGY

**OUR STRATEGY**

TO SUPPORT, DEVELOP, PROMOTE & PROTECT A SUSTAINABLE AND PROFITABLE SCOTTISH RED MEAT INDUSTRY



## STRATEGIC AIM 1 TO SUPPORT A SUSTAINABLE AND PROFITABLE SCOTTISH RED MEAT INDUSTRY

**STRATEGICAIMS 1.0**

To SUPPORT a sustainable and profitable Scottish red meat industry

**1.1 ENVIRONMENT**

Scotland is a world leader in sustainable red meat production

The Scottish red meat sector to achieve Scottish Government Targets of Net Zero by 2045

**1.2 POLICY**

Producing highly respected economic and industry data

Contribute to the development of a production based agriculture support policy for Scotland

**1.3 INDUSTRY REPUTATION**

A Scottish red meat sector confident about investing in its future

All key stakeholder organisations work collaboratively to deal with cross sector issues.

All stakeholders are valued and bought into the work of QMS

**1.4 CONSUMER CONFIDENCE**

Ensure that the QMS Quality Assurance Schemes provide product confidence to customers and consumers



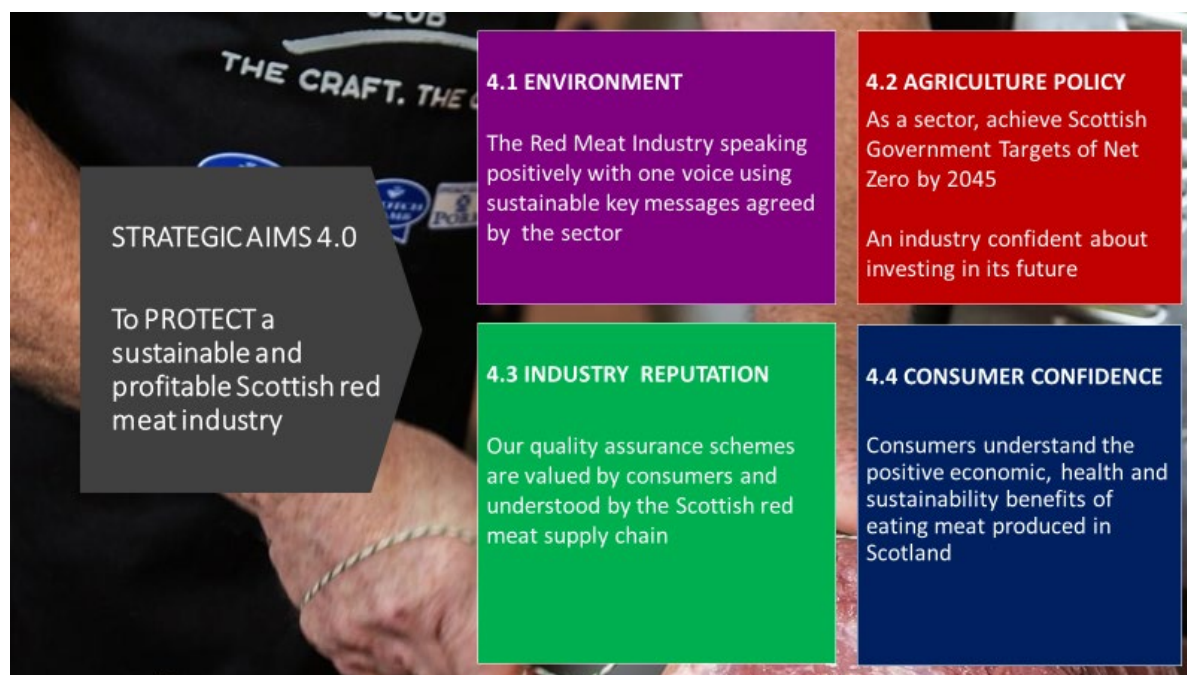
## STRATEGIC AIM 2 TO DEVELOP A SUSTAINABLE AND PROFITABLE SCOTTISH RED MEAT INDUSTRY



## STRATEGIC AIM 3 TO PROMOTE A SUSTAINABLE AND PROFITABLE SCOTTISH RED MEAT INDUSTRY



## STRATEGIC AIM 4 TO PROTECT A SUSTAINABLE AND PROFITABLE SCOTTISH RED MEAT INDUSTRY



Our 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 and Drink's "Ambition 2030" vision.

Our strategy is supported by an Implementation plan that highlights the key activities that we undertake on an annual basis. The implementation plan is fully costed with activity updates and financial progress reported at each Board meeting. We have a strong track record of effective delivery and the resilience required to continue to support the sector and we can 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. 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 registered address of QMS is Rural Centre, West Mains, Ingliston, Newbridge, EH28 8NZ.

### 2.2 PRINCIPAL ACTIVITIES

The key activities of QMS are focused on the purposes detailed in the Quality Meat Scotland Order 2008, the functions of QMS are specified in Schedule 1.

Our activities are 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. The Quality Assurance standards cover whole of life and the whole of the production supply chain and clearly set out the standards which must be met to be eligible to market products as Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork.

These accounts have been prepared in accordance with a direction, given by the Scottish Ministers, in accordance with article 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 2022 are shown on page 40, together with the notes on pages 44 to 50. QMS made an operating surplus, before bank interest, of £115k for the year to 31 March 2022 (2020/21 - £73K deficit).

In February 2021 the Board approved a break-even budget for the year 2021/22. The budget was planned to ensure that we could meet our strategic objectives.

### **2.4 STRATEGIC REPORT**

During 2021/22 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 it, 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 Executive and departmental teams within QMS developed and delivered a range of activities, detailed in comprehensive implementation plans, 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. QMS are striving to comply with the Gender Representation on Public Boards (Scotland) Act 2018, with steps taken to increase female representation on the QMS board including holding dedicated webinars with Changing The Chemistry, explaining the appointment process and role of the QMS board, and increasing advertising on available board positions in a greater range of publications and stakeholder communications.

During 2021/22 we had to deal with the ongoing COVID-19 pandemic as well as our EU exit and towards the end of the financial year the significant rises in input costs, especially feed, fertiliser and fuel as a result of the war in Ukraine.

We continued to provide whole of life, whole of production supply chain Quality Assurance for circa 10,000 members and during this financial year we conducted a public procurement



exercise, the outcome of which was the selection of a new quality assurance provider, Food Integrity Assurance a subsidiary of SAOS.

We completed the Monitor Farm legacy project and were successful in our bid to deliver a new Monitor Farm programme which will start in the next financial year 2022/23. We continued our development work with pig, beef and sheep farmers, however much of this had to be provided remotely due to the on-going pandemic.

We significantly increased our stakeholder engagement with politicians in Scotland and across the UK and used COP26 as a catalyst to get politicians out on farm which had a significant impact both during and after the event in highlighting the sustainability credentials of Scottish red meat production.

Our market development activities had to be re-purposed to support local and UK development with less emphasis on exports, however this changed towards the end of the financial year when we exhibited at TAVOLA, a fine foods trade fair in Belgium and participated in a UK trade delegation to the USA exploring future opportunities when the market reopens for UK lamb products including our Scotch Lamb PGI. A major focus of our market development team has been reviewing the offer of our Scotch Beef and Scotch Butchers Clubs. This has led to significant increases in active participation by our existing members and increased membership of the Butchers Club from less than 100 to just under 300 members. In addition to this we have strengthened our engagement with routes to market and have active measurement of product distribution in all of the multi-national retailers. We have also developed new initiatives with processors to assist them with market opportunities, locally, nationally, and internationally.

Our marketing activities are focused on showcasing the sustainable credentials of Scotch meat. Targeting a mainly flexitarian audience who want to buy less but buy better quality. We showed that local, traceable Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork is the best choice for mindful consumers. Our campaigns reach 74% of adults in Scotland.

Our communications activity will continue to drive positive conversations about red meat, how it is produced and the wider farming industry. On the sustainability agenda, we have recently been showcasing what Scottish farmers are doing to work towards Scottish Governments ambitious climate change targets.

Our Health and Education team has launched an innovative new classroom resource, 'The Farming Circle of Life'. This latest development allows teachers to explain the natural cycles within the Scottish red meat production system and is part of the Farming Foodsteps learning resource platform.

The 2022 edition of our steak guide was launched in the first week of February, available in over 270 Scotch Butchers Club butcher shops and packed with informative content about red meat, recipes and inspiration for consumers looking to make the most of Scotch.

In a bid to tackle Scotland's obesity epidemic and educate the next generation of consumers, QMS has delivered 322 'meat vouchers' to schools across Scotland. These vouchers enable schools to purchase quality assured meat and to educate their pupils on the benefits of it and

also have the opportunity to taste it. The number of participating schools has increased by 10% year on year.

Our default position for all staff has been home working, with this being eased towards the end of the financial year with a hybrid mix of home and office-based working.

## **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 implementation plans goes to each Board meeting. The implementation plans plot progress against each performance measure using a Brown, Red, Amber and Green (BRAG) tracking system, this identifies actions which are Brown (not due to start yet), Red (due to start but not yet started) Amber (actions started which are behind schedule) and Green (actions that are on schedule). 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 also recorded on the plan and new actions that are required during the year, are added.

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 detail all the key activities that we aim to achieve within 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 governance procedures, we measure our performance against the Programme for Government Themes and produce statements on Information and Communications Technology, Climate Change Duties and Equality of Opportunity. We also 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 each of the tools used provide a comprehensive overview of operational performance. However, the on-going worldwide COVID-19 pandemic meant that we had to continue to replan our activities as we entered different phases of lockdown throughout the year.

For the year 2021/22 QMS activities were undertaken under the overall strategy of working "to shape a sustainable and prospering Scottish red meat industry" and four strategic aims of support, develop, promote, and protect which were agreed by the Board.

The total at the bottom highlights the 146 planned activities for the year. These are summarised by strategic objective. The BRAG system summarises 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 18.

Strategic Aim	B	R	A	G	Grand Total
To develop a profitable and sustainable Scottish red meat industry	2	6		18	26
To promote a profitable and sustainable Scottish red meat industry	15	1		44	60
To protect a profitable and sustainable Scottish red meat industry				13	13
To support a profitable and sustainable Scottish red meat industry	1	8		38	47
<b>Grand Total</b>	<b>18</b>	<b>15</b>		<b>113</b>	<b>146</b>

## 10.0 Implementation Plans By Department

We have detailed below key highlights from our implementation plans for each of our departments: - Brands Integrity, Corporate Services, Economic Services, Industry Development, Market Development, Marketing and Communications, and Strategic Engagement.

BRANDS INTEGRITY		WHAT WE WILL DO
DEPARTMENT AIM	To provide reassurance to consumers that all products carrying the Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork logos are produced to some of the highest standards in the world.	
DEPARTMENT OBJECTIVES	<ol style="list-style-type: none"> <li>1. To provide world class Quality Assurance</li> <li>2. Continually review and update our whole of production supply chain standards</li> <li>3. Effectively engage with our members to ensure understanding of the standards</li> <li>4. Future proof our standards to ensure they are fit for purpose for consumers</li> </ol>	
KEY DELIVERABLES	<ul style="list-style-type: none"> <li>▪ Review and redesign the suite of Assurance Scheme standards.</li> <li>▪ Explore opportunity to create a new certification company, for the industry by the industry.</li> <li>▪ Review the content of future Assurance Scheme contracts.</li> <li>▪ Communicate and promote the benefits of Assurance Schemes</li> <li>▪ Redesigned scheme logos for each of the assurance schemes</li> </ul>	

CORPORATE SERVICES		WHAT WE WILL DO
DEPARTMENT AIM	To uphold the highest level of governance and support our board, Executive team and all staff by managing administrative operations and implementing innovative, effective business processes to meet the needs of our stakeholders.	
DEPARTMENT OBJECTIVES	<ol style="list-style-type: none"> <li>1. Compliance with all levels of Governance</li> <li>2. Production of monthly finance reports and budget reviews</li> <li>3. Ensure a robust HR function to support all staff</li> <li>4. Provide a professional administration service to all staff, board and key stakeholders</li> <li>5. Identification and implementation of cloud based accounting, Customer Relationship Management and file management software.</li> <li>6. Design future working styles and environment for QMS head office</li> </ol>	
KEY DELIVERABLES	<ul style="list-style-type: none"> <li>▪ Compliance with all regulations – GDPR, Procurement, State Aid, Health and Safety, internal policies and procedures</li> <li>▪ Complete our program of Internal Audits</li> <li>▪ Complete a “clean non-qualified” financial year end audit</li> <li>▪ Development of the QMS training plan to include wellbeing training in addition to skills training for all staff.</li> <li>▪ Implementation of cloud based software</li> <li>▪ Development of a hardware succession plan</li> </ul>	

ECONOMIC SERVICES		WHAT WE WILL DO
DEPARTMENT AIM	The aim of the Economic Services Department is to be the first port of call for authoritative analysis of Scotland's red meat supply chain	
DEPARTMENT OBJECTIVES	<ol style="list-style-type: none"> <li>1. Maintain, manage and develop databases and analysis thereof</li> </ol>	



	<ol style="list-style-type: none"> <li>2. Manage and deliver enterprise profitability and GHG survey</li> <li>3. Maintain the profile and respect for QMS from stakeholders and others in strategic economic analysis</li> <li>4. Provision of Key Industry Insight to Policy Makers</li> </ol>
<p><b>KEY DELIVERABLES ECONOMIC SERVICES AND EXTERNAL AFFAIRS</b></p>	<ul style="list-style-type: none"> <li>▪ Regular market updates and business environment reports and analysis</li> <li>▪ Support to internal teams including Levy governance and monitoring, insights for market strategy, business environment insights for industry development</li> <li>▪ Input to Scottish Government e.g. FMQ's, MSP questions, working groups etc.</li> <li>▪ Media responses; proactive and reactive</li> <li>▪ Web content maintenance</li> <li>▪ Contributing to stakeholder conferences and CPD meetings</li> <li>▪ Contributing to Scottish and UK government consultations</li> <li>▪ Input into academic and commercial research projects</li> <li>▪ Enterprise Profitability, GHG report and Red Meat Industry Profile published</li> <li>▪ Develop an External Affairs plan for engagement with our levy payers and key stakeholders</li> <li>▪ Suite of Key Internal Position Papers</li> <li>▪ Suite of Collaborative Industry Position Papers on Key Issues</li> <li>▪ Strategic Advice on Emerging Legislation</li> <li>▪ Increased Engagement with Key Policy Makers and Politicians</li> <li>▪ Key Account Development Plans with Key Stakeholders</li> <li>▪ Identify and Secure Increased External Funding for Key Projects</li> </ul>

INDUSTRY DEVELOPMENT	WHAT WE WILL DO
<b>DEPARTMENT AIM</b>	The aim of the Industry Development department is to deliver solutions that enhance the performance and sustainability of red meat production in Scotland.
<b>DEPARTMENT OBJECTIVES</b>	<ol style="list-style-type: none"> <li>1. Developing capability within the producer sector</li> <li>2. Developing capacity within the producer sector</li> <li>3. Demonstrating excellence in delivery</li> <li>4. Driving innovation across the produce sector</li> </ol>
<b>KEY DELIVERABLES</b>	<ul style="list-style-type: none"> <li>▪ Maintain and Build our Sustainable Red Meat Action Groups</li> <li>▪ Deliver Meat the Market / Meat the Finisher projects</li> <li>▪ Deliver a genetic performance project – to explore how genetic performance data can enhance eating quality</li> <li>▪ Complete our current Pig Monitor Farm Project</li> <li>▪ Develop and Deliver 4-year Monitor Farm Project / MF Legacy Project</li> <li>▪ Further develop our pig specific project working alongside producer and processor organisations to improve supply chain efficiency</li> <li>▪ Conduct a Strategic review of pig projects and contracts</li> <li>▪ Recruit a Cattle and Sheep Specialist and Pig Specialist</li> <li>▪ Develop and Deliver a suite of Learning Resources for Levy Payers</li> <li>▪ Develop and deliver a sheep performance project</li> </ul>

<b>MARKET DEVELOPMENT</b>	
<b>DEPARTMENT AIM</b>	To open new markets and build on existing markets for Scotch and Scottish products in local, national and international markets.
<b>DEPARTMENT OBJECTIVES</b>	<ol style="list-style-type: none"> <li>1. Relaunch the Scotch Beef Club</li> <li>2. Gain USA Market Access for Scotch Beef PGI</li> <li>3. Recommence and re-purpose international trade shows post COVID-19</li> <li>4. Submit a successful State Aid Application</li> </ol>
<b>KEY DELIVERABLES</b>	<ul style="list-style-type: none"> <li>▪ Scotch Beef Club relaunch in Q2 2021</li> <li>▪ Plan and deliver a successful USA Market entry strategy for processors to trade Scotch Beef PGI</li> <li>▪ Design and develop a new trade show stand and aim to deliver 6 international trade shows</li> <li>▪ Successful State Aid application</li> <li>▪ Increase membership of Scotch Butchers Club by 8%.</li> <li>▪ Review and relaunch of the QMS Brands Licencing Scheme</li> <li>▪ New Retail Packaging Guidelines for UKGIs and rollout to retailers</li> <li>▪ Regular independent retail audits for all the major retailers</li> </ul>

MARKETING AND COMMUNICATIONS	WHAT WE WILL DO
<b>DEPARTMENT AIM</b>	To retain our core range listings in Scotland and the UK together with instigating growth in independent and key export markets.
<b>DEPARTMENT OBJECTIVES</b>	<ol style="list-style-type: none"> <li>1. To work in collaboration with our key stakeholders to further grow our trusted, premium Scotch red meat brands ensuring that they align with our consumer values.</li> <li>2. Achieve a brand market position for Scotch that consumers are willing to pay a premium for.</li> </ol>
<b>KEY DELIVERABLES</b>	<ul style="list-style-type: none"> <li>▪ Build a strong international consumer brand driven through insight</li> <li>▪ Apply a suite of tactics including social media, digital, sponsorship, toolkits and PR</li> <li>▪ Promote the benefit of red meat as part of a balanced healthy diet to consumers</li> <li>▪ Explore the potential of establishing a Sustainability Quality Marque for Scotch Beef</li> <li>▪ Explore the potential to develop a new brand to replace Specially Selected Pork</li> <li>▪ Research consumers perceptions on the eating quality of our brands</li> <li>▪ Target our primary market of 18-38-year olds – Meat reducers</li> <li>▪ Drive industry engagement</li> <li>▪ Design and deliver Farming Foodsteps phase 2</li> <li>▪ Drive awareness of the selling points of our brands with educators, consumers and trade</li> <li>▪ Promote sustainability and the health benefits of red meat</li> <li>▪ Deliver insight to drive both UK and export sales</li> <li>▪ Engaging with retailers, butchers and food service to maximize distribution and visibility of the brands on and offline</li> <li>▪ Measurement of KPI's including, increased market share by sales, value, customer penetration, attitudinal change and brand awareness</li> </ul>

STRATEGIC ENGAGEMENT	WHAT WE WILL DO
<b>DEPARTMENT AIM</b>	Influence future policy and sector resilience by delivering projects and initiatives for the Scottish red meat sector with full buy-in from our stakeholders.
<b>DEPARTMENT OBJECTIVES</b>	<ol style="list-style-type: none"> <li>1. Lead on the development of the Beef Sector Strategy</li> <li>2. Co-ordinate any QMS project work emanating from the Suckler Beef Climate Group's report</li> <li>3. Lead on sustainability issues for the red meat sector</li> <li>4. Conduct research and co-ordinate its use to support our sector's credentials</li> <li>5. Co-ordinate effective stakeholder engagement</li> </ol>
<b>KEY DELIVERABLES</b>	<ul style="list-style-type: none"> <li>▪ Beef Sector Strategy developed</li> <li>▪ QMS implementation of Beef Sector Strategy underway where appropriate</li> <li>▪ Project work relating to the Suckler Beef Climate Group resourced and delivered by QMS</li> <li>▪ Research and evidence gathered to support QMS marketing and QA activity</li> <li>▪ Co-ordination of QMS activities on Sustainability</li> <li>▪ Successful implementation of stakeholder engagement plan</li> <li>▪ Public affairs strategy devised and implemented</li> </ul>



## 11.0 Key Deliverables By Department

The Implementation Plans provide us with a focus to ensure that all our activities meet our strategic aims and objectives. This breaks down by department as follows: -

Department	Budget 2021/22(£)	% of Total 2021/22	% of Total 2020/21 (Comparison)
Brands Integrity	1,637, 859	24.2%	24.0%
Corporate Services	679,877	10.0%	10.0%
Economic Services	0	0%	4.6%
Industry Development	854,791	12.6%	12.1%
Market Development	458,509	6.8%	8.6%
Marketing and Communications	2,574,633	38.0%	36.9%
Strategic Engagement	0	0%	3.8%
Market Intelligence and External Affairs	571,689	8.4%	0%
<b>TOTAL</b>	<b>£6,777,358</b>	<b>100%</b>	<b>100%</b>

\*The Economic Services department has merged with Market Intelligence and External Affairs and the Strategic Engagement department has been disbanded.

## INCOME

During the year, QMS received £5.04m (2020/21 - £3.93m) 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 £1.53m (2020/21 - £1.55m) 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 £0.13m (2020/21 - £0.35m) in grants and £ 0.18m (2020/21 - £1.84m) in repatriated ring-fenced funds, bank interest and other miscellaneous income.

### STATUTORY RED MEAT LEVY £5.038M

	2021/22	2020/21
Cattle	£2,536,185	£2,514,722
Sheep	£1,748,692	£ 964,960
Pigs	£753,602	£ 447,095
<b>TOTAL</b>	<b>£5,038,479</b>	<b>£3,926,777</b>

### LEVY RATES FOR 2021/22

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

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

	2021/22	2020/21
Scottish Government	£62,508	£83,509
Others	£64,649	£262,958
<b>TOTAL</b>	<b>£127,157</b>	<b>£346,467</b>

QMS received one grant from the Scottish Government. The grant 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-19 food industry recovery plan, Skills Development Scotland 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.

## LEVY REPATRIATION

This is the first year that we have benefited from levy repatriation. The total amount of levy collected in Scotland for the year was £3,655,545 and in addition a total of £1,382,934 of repatriated levy was collected making a total levy income for QMS of £5,038,479.

## 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 26 days during 2021/22 (2020/21 – 23 days).

**Sarah Millar**

**Signature:**   
Sarah Millar (Jul 1, 2022 12:55 GMT+1)  
**Chief Executive and Accountable Officer**  
**Email:** smillar@qmScotland.co.uk

**Date:** Jul 1, 2022

## 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) (A)	Charles Milne (A)
Jock Gibson	George Milne (A) (R)
Scott Henderson	Philip Sleigh
Ann Irvine (A)	Gordon Wallace (A)
Sarah Mackie	Louise Welsh (A)
Ian Bentley (A)	Peter Brown (R)
Scott Jarron	Niall Jeffrey
Adrian Ivory	

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.

#### 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 article 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 20. Details of the Accountable Officer, who is the Chief Executive of QMS, are reported on page 35.

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 2022 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 2022, 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](http://www.qmscotland.co.uk/search/site/audit%2520meeting)

## **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-2021-2022](http://www.qmscotland.co.uk/qms-board-register-interests-2021-2022)

Executive Team - [www.qmscotland.co.uk/qms-executive-team-register-interests-20212022](http://www.qmscotland.co.uk/qms-executive-team-register-interests-20212022)

## 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 2022/23.

The Board acknowledges the potential risks to the Scottish red meat industry from COVID-19 and a plan is currently being developed to show our Response, how we assist to Re-Set and Restart the sector, and how we support a planned Recovery. We are also aware of the potential risks to the sector whenever the UK formally leaves 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-19 outbreaks and the loss on key	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.  We have been working closely with Scottish Government to identify targeted support to the pork sector.

		international markets.	
<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 Health Certificates and the added complications of the Northern Ireland Protocol.	This could be particularly difficult for the sheep sector. QMS are committed to maintaining and building our sheep meat markets.	<p>In partnership with AHDB and HCC we have development a significant marketing campaign to assist to protect the lamb sector.</p> <p>Engaging with UKCEP to get more Scottish abattoirs licensed to export.</p> <p>Working with the Scottish and UK Governments to develop contingency plans</p>

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.	<p>Maintain close contact with processors to share knowledge.</p> <p>Promote political and industry awareness of impact.</p> <p>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.</p>
<p>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.</p>			

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 Scotland's Climate	QMS are committed to working with the Scottish red meat sector to meet these challenging targets.	<p>Supporting the work of the Farmer led Groups tasked with identifying how farmers can reduce their carbon footprint and reduce emissions from farming practices.</p> <p>Identify and disseminate actions being undertaken by the Scottish red meat sector to meet these targets.</p> <p>Lead the Scottish Red Meat Resilience Group to agree our strategy for sustainable farming and influence policy makers</p>

	Change Act 2019.		highlighting the actions we have taken.
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.			

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.
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.			
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 and Drink, Skills Development Scotland and learning providers.	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.  We work closely with industry partners

			including LANTRA and FDFS to promote industry careers.
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.
Looking forward we aim to use the current lessons learned from COVID-19 in our sustainability and climate change messaging.			

## 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. Our Internal auditors are satisfied that, for the areas reviewed during the year, Quality Meat Scotland has reasonable and effective risk management, control and governance processes in place.

## 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 all 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.

**Sarah Millar**

**Signature:**

  
Sarah Millar (Jul 1, 2022 12:55 GMT+1)

**Chief Executive and Accountable Officer**

Email: [s.millar@qmscotland.co.uk](mailto:s.millar@qmscotland.co.uk)

**Date:** Jul 1, 2022



## 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 2021/22 year. During 2021/22 the members were:

- George Milne (Board Member and Committee Chair)
- Kate Rowell (Board Chair)
- Julie Fitzpatrick (Board Member - left 15<sup>th</sup> July 2021)
- Peter Brown (Board Member - joined 1<sup>st</sup> September 2021)
- Ian Bentley (Board Member - joined 1<sup>st</sup> September 2021)

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.

	2021/22				2020/21			
	Salary £'000	Benefit £100	Pension £'000	Total £'000	Salary £'000	Benefit £100	Pension £'000	Total £'000
Chief Executive – Alan Clarke	80-85	-	55-60	135-140	80-85	-	40-45	120-125

\* 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	2021/22 £'000	2020/21 £'000	BOARD MEETINGS ATTENDED
Kate Rowell (Chair)	35-40	25-30	6/6
Julie Fitzpatrick (left 15 <sup>th</sup> Jul 2021)	0-5	0-5	2/2
Jock Gibson (left 10 <sup>th</sup> Jun 2021)	0-5	0-5	0/2
Scott Henderson	5-10	0-5	6/6
Ann Irvine	5-10	0-5	6/6
Sarah Mackie (left 15 <sup>th</sup> Sep 2021)	0-5	0-5	2/2

Andy McGowan	0-5	0-5	6/6
Charles Milne	0-5	0-5	6/6
George Milne	5-10	0-5	6/6
Philip Sleigh (left 15 <sup>th</sup> Apr 2021)	0-5	0-5	0/0
Gordon Wallace	0-5	0-5	5/6
Louise Welsh (left 15 <sup>th</sup> Sep 2021)	0-5	0-5	1/2
Ian Bentley (Joined 1st Sep 2021)	0-5	N/A	4/4
Peter Brown (Joined 1st Sep 2021)	0-5	N/A	4/4
Adrian Ivory (Joined 1st Sep 2021)	0-5	N/A	4/4
Niall Jeffrey (Joined 1st Sep 2021)	0-5	N/A	3/4
Scott Jarron (Joined 1st Sep 2021)	0-5	N/A	4/4

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 2022 (Audited)

	2021/22	2020/21
< £10,000	0	0
£10,001 - £25,000	0	0
£25,001 - £50,000	0	0
£50,001 - £75,000	1	0
£75,001 - £100,000	0	0

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

## SICKNESS ABSENCE

During 2021/22, a total of 66.5 days (2020/21 – 20 days) were lost to sickness absence. This equated to 1.1% (2020/21 – 0.34%) of available staff days.

## CONSULTANTS

During 2021/22 QMS spent £27k on consultants (2020/21 - £36k).

## 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.

	<b>2022</b>	<b>2021</b>	<b>% Change</b>
Range of staff remuneration	20-25 – 80-85	20-25 – 80-85	0 Range = 60
Highest earning Director's total remuneration	80 - 85	80-85	0
Median	45,900	37,453	22.6%
Ratio	1.80	2.20	-18.4%
25th Percentile	30,176	25,070	20.4%
Ratio	2.73	3.29	-16.9%
75th Percentile Pay	53,580	49,600	8.0%
Ratio	1.54	1.66	-7.4%
Total annualised salary cost (excl highest paid Director)	1,163,187	1,021,717	13.8%

In 2021/22 and 2020/21, 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.

A job evaluation process was carried out for the organisation by external independent expert and the recommendations implemented from 1 April 2021. The recommended change to salary levels has contributed to the increase in the total annualised salary cost.

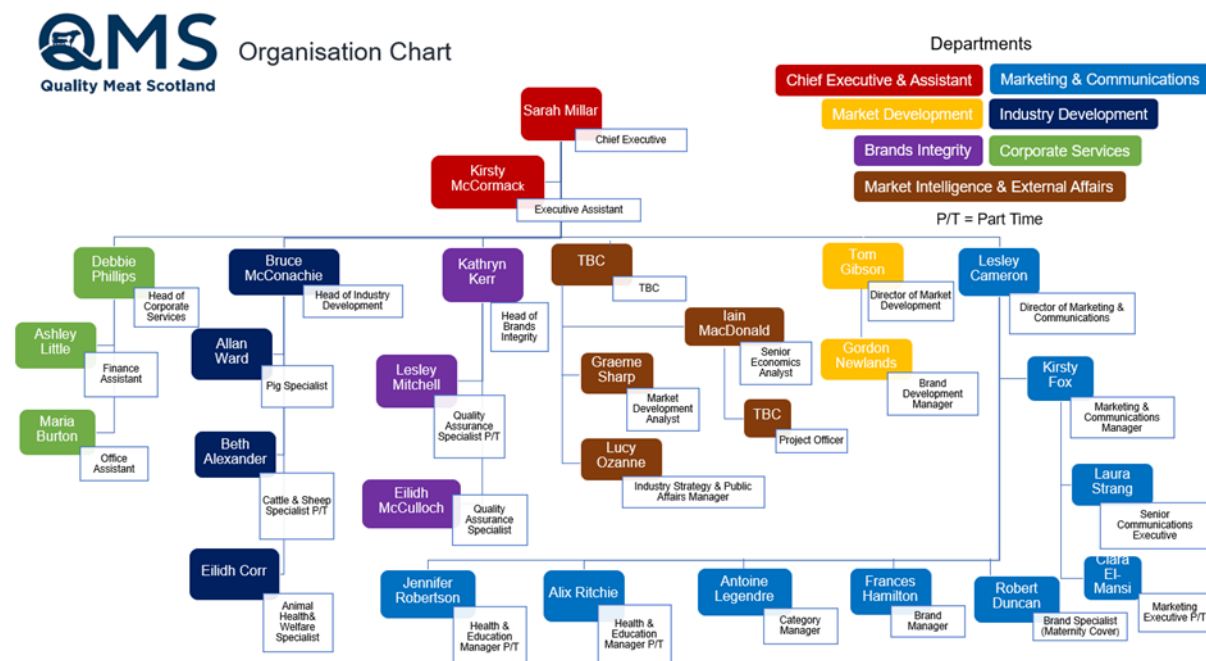
## STAFF COSTS AND AVERAGE NUMBERS

For the year ended 31 March 2021, we employed a total of 26 permanent staff (26 in 2020/21). There were no staff on temporary contracts (nil – 2020/21).

Total staff costs for 2021/22 were £1,569k (2020/21: £1,405k). Further breakdown of staff costs is included in Note 4 on page 47.

Staff turnover for the year was 7% down from 15% in the previous year.

## Organisation Chart



## STAFF COMPOSITION

The gender split of the average full-time equivalent staff employed across the QMS in 2021/22 was 17 (67%) female and 8 (33%) male (2020/21: 62% female, 38% male). The average gender split of the Board in 2021/22 was 8.5 (71%) male and 3.5 (29%) female: (2020/21 58% male, 42% female).

On the 11<sup>th</sup> April 2022 Sarah Millar took over the responsibilities of Chief Executive and Accountable Officer for Quality Meat Scotland from Alan Clarke.

**Sarah Millar**  
**Chief Executive and Accountable Officer**  
 Email: [sarah.millar@qms.scotland.co.uk](mailto:sarah.millar@qms.scotland.co.uk)

**Signature:**   
 Sarah Millar (Jul 1, 2022 12:55 GMT+1)

**Date:** Jul 1, 2022

# 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 2022 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 UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 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 2022 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 5 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.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## **Risks of material misstatement**

I report in my separate Annual Audit Report 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 there is an intention to discontinue the body's operations.

## **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 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](http://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 in respect of irregularities explained in the audit of the financial statements section of my report, 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.

### **Other information**

The Accountable Officer is responsible for the other information in the annual report and accounts. The 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 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 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.

Peter Lindsay  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite T  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow, G2 1BT  
1 July 2022

**Signature:**   
Peter Lindsay (Jul 1, 2022 13:01 GMT+1)

**Email:** [plindsay@audit-scotland.gov.uk](mailto:plindsay@audit-scotland.gov.uk)

## Quality Meat Scotland

### STATEMENT OF COMPREHENSIVE NET EXPENDITURE

**For the year ended 31 March 2022**

	<b>Note</b>	<b>2021-22</b> £	<b>2020-21</b> £
<b>Income</b>	2		
Statutory red meat levy		5,038,479	3,926,777
Consumer assurance scheme fees		1,529,782	1,552,519
Other income		302,967	2,172,560
Total operating income		<u>6,871,228</u>	<u>7,651,856</u>
<b>Expenditure</b>			
Staff employment and board costs	4	1,645,407	1,472,534
Depreciation		26,347	31,316
Other operating costs	3	5,084,324	6,220,942
Total operating expenditure		<u>6,756,078</u>	<u>7,724,792</u>
<b>Net operating expenditure</b>		115,150	(72,936)
Finance income	5	302	14,784
<b>Net expenditure for the year</b>		<u><u>115,452</u></u>	<u><u>(58,152)</u></u>

There is no other comprehensive income for the year.

The notes on pages 44 to 50 form part of these financial statements.


## Quality Meat Scotland

### STATEMENT OF FINANCIAL POSITION

**As at 31 March 2022**

	<b>Note</b>	<b>2022</b> £	<b>2021</b> £
<b>Non-current assets</b>	7	48,854	46,014
<b>Current assets</b>			
Trade receivables and other current assets	8	1,136,566	1,225,082
Deposits and advances	9	363,059	361,886
Cash and cash equivalents	10	434,758	1,143,305
<b>Total current assets</b>		1,934,383	2,730,273
<b>Total assets</b>		1,983,237	2,776,287
<b>Current liabilities</b>			
Trade payables and other current liabilities	11	708,931	1,617,433
<b>Total current liabilities</b>		708,931	1,617,433
<b>Assets less liabilities</b>		<u>1,274,306</u>	<u>1,158,854</u>
<b>Reserves</b>			
General reserve		<u>1,274,306</u>	<u>1,158,854</u>

The financial statements on pages 40 to 50 were approved and authorised for issue by the Board Members on 1st July 2022 and signed on its behalf by:

Sarah Millar **Signature:**   
 Chief Executive and Accountable Officer  
 Quality Meat Scotland  
 Date: Jul 1, 2022  
 Email: [s.millar@qmscotland.co.uk](mailto:s.millar@qmscotland.co.uk)

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

## Quality Meat Scotland

### CASH FLOW STATEMENT

#### For the year ended 31 March 2022

	<b>Note</b>	<b>2021-22</b>	<b>2020-21</b>
		<b>£</b>	<b>£</b>
Cash flows from operating activities	(note a)	(678,491)	1,326
Cash flows from investing activities	(note b)	(30,358)	747,618
Cash flows from financing activities	(note c)	302	14,784
<b>Increase/(decrease) in cash in the year</b>		<b>(708,547)</b>	<b>763,728</b>

#### Notes to the Cash Flow Statement

<b>a) Cash flows from operating activities</b>			
Net operating (deficit)		115,150	(72,936)
Adjustment for non-cash items			
- Depreciation		26,347	31,316
Decrease/(increase) in trade receivables		88,516	(45,353)
Increase/(decrease) in trade payables and other current liabilities		(908,504)	88,299
<b>Net Cashflow from operating activities</b>		<b>(678,491)</b>	<b>1,326</b>
<b>b) Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(29,782)	(16,198)
Loss on disposal of property, plant and equipment		597	0
Withdrawal/(deposit) of cash to UK clearing bank fixed term deposit account		(1,173)	763,816
		<b>(30,358)</b>	<b>747,618</b>
<b>c) Cash flows from financing activities</b>			
Interest received		302	14,784
		<b>302</b>	<b>14,784</b>

#### Net financing

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£</b>	<b>£</b>
Net (decrease) in cash and cash equivalents in the year	(708,547)	763,728
Cash and cash equivalents at beginning of year	1,143,305	379,577
Cash and cash equivalents at end of year	<b>434,758</b>	<b>1,143,305</b>

## Quality Meat Scotland

### STATEMENT OF CHANGES IN RESERVES

#### For the year ended 31 March 2022

	General Reserve £	Total Reserves £
<b>Balance at 31 March 2020</b>	1,217,006	1,217,006
<b>Changes in taxpayers' equity for 2020-21</b>		
Deficit for the year	<u>(58,152)</u>	<u>(58,152)</u>
<b>Total comprehensive income for 2020-21</b>	(58,152)	(58,152)
<b>Balance at 31 March 2021</b>	1,158,854	1,158,854
<b>Changes in taxpayers' equity for 2021-22</b>		
Surplus for the year	<u>115,452</u>	<u>115,452</u>
<b>Total comprehensive income for 2021-22</b>	115,452	115,452
<b>Balance at 31 March 2022</b>	<u><u>1,274,306</u></u>	<u><u>1,274,306</u></u>

# Quality Meat Scotland

## Notes to the Accounts

### For the year ended 31 March 2022

#### 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 assets.

#### 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 2022**

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.

#### **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 2022**

##### **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 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 2022

	<b>2021-22</b>	2020-21
	£	£
<b>2. Income</b>		
Statutory red meat levy	5,038,479	3,926,777
Consumer assurance scheme fees	1,529,782	1,552,519
Grant income	127,158	346,467
Ring-fenced Funding	16,570	1,801,556
Other income	159,239	24,537
	<u>6,871,228</u>	<u>7,651,855</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.

	<b>2021-22</b>	2020-21
	£	£
<b>3. Operating expenditure</b>		
Marketing and Communications	2,440,724	3,972,782
Consumer assurance scheme costs	1,455,985	1,414,183
Industry development	375,107	323,326
Economics services	301,593	157,485
Market Development	190,578	89,243
Other operating activity	320,337	263,923
	<u>5,084,324</u>	<u>6,220,942</u>

#### 4. Staff employment and board costs

Costs include the following:	<b>2021-22</b>	2020-21
	£	£
<b>Staff</b>		
Salaries	1,238,517	1,125,395
National Insurance	136,373	123,072
Pension costs	193,814	156,577
	<u>1,568,704</u>	<u>1,405,044</u>

The average number of persons employed during the year was 26 (2020/21 - 26).

#### Board members

Emoluments for qualifying services	71,144	62,640
National Insurance	5,559	4,850
	<u>76,703</u>	<u>67,490</u>
	<u>1,645,407</u>	<u>1,472,534</u>

## Quality Meat Scotland

### Notes to the Accounts

For the year ended 31 March 2022

#### 5. Finance income

	2021-22 £	2020-21 £
Bank interest	302	14,784

#### 6. Operating costs

The following have been included in operating costs:

	2021-22 £	2020-21 £
Depreciation	26,347	31,316
Operating lease payments	18,771	37,094
Auditors' remuneration - audit services	11,460	11,240

7. Non current assets	Computer Equipment £	Furniture, Fittings & Equipment £	Intangible assets (AUC) £	Total £
<b>Cost</b>				
At 1 April 2020	67,040	48,200	0	115,240
Additions	16,198	0	0	16,198
Disposals	0	0	0	0
As at 31 March 2021	83,238	48,200	0	131,438
As at 1 April 2021	83,238	48,200	0	131,438
Additions	7,782	0	22,000	29,782
Disposals	(7,268)	0	0	(7,268)
At 31 March 2022	83,752	48,200	22,000	153,952
<b>Accumulated depreciation</b>				
At 1 April 2020	34,568	19,540	0	54,108
Charge	21,779	9,537	0	31,316
Disposals	0	0	0	0
As at 31 March 2021	56,347	29,077	0	85,424
As at 1 April 2021	56,347	29,077	0	85,424
Charge	16,914	9,433	0	26,347
Disposals	(6,671)	0	0	(6,671)
At 31 March 2022	66,589	38,510	0	105,100
<b>Net Book Value</b>				
At 31 March 2022	17,164	9,690	22,000	48,854
As at 31 March 2021	26,891	19,123	0	46,014

#### 8. Trade receivables and other current assets

	2022 £	2021 £
Trade receivables	455,794	749,317
Accrued levy	465,143	123,068
VAT recoverable	171,404	175,053
Prepayments and other accrued income	44,224	177,644
	<u>1,136,566</u>	<u>1,225,082</u>

## Quality Meat Scotland

### Notes to the Accounts

#### For the year ended 31 March 2022

	2022	2021
	£	£
<b>9. Deposits and advances</b>		
Short term deposits of up to 12 months invested in deposit accounts with UK clearing bank	363,059	361,886

	2022	2021
	£	£
<b>10. Cash and cash equivalents</b>		
Balance at 1 April	1,143,305	379,577
Net change in cash and cash equivalent balances	(708,547)	763,728
Balance at 31 March	434,758	1,143,305

The following balances at 31 March were held at:

Commercial banks and cash in hand	434,758	1,143,305
-----------------------------------	---------	-----------

	2022	2021
	£	£
<b>11. Trade payables and other current liabilities</b>		
Trade payables	252,706	1,034,765
Accruals and deferred income	235,266	375,090
Tax and social security	48,729	35,349
Statutory levy processor security deposits	172,229	172,229
	708,931	1,617,433

#### 12. Commitments under leases

At 31 March 2022, the organisation had total minimum future payments under non-cancellable operating leases as follows:

	Land and Buildings 2022 £	Other 2022 £	Land and Buildings 2021 £	Other 2021 £
Operating leases which expire:				
Within one year	17,924	0	33,297	2,122
In the second to fifth years inclusive	0	0	0	3,755
	17,924	0	33,297	5,877

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 2022**

##### **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.

Andy McGowan is a Director of Scottish Agricultural Organisation Society Limited (SAOS) who are considered to be a related party of QMS. QMS incurred expenditure of £0.018m with SAOS in 2021/22 (2020/21 £0.021m) and no balance was due at 31 March 2022.

Andy McGowan is also a Director of Scot EID who are considered to be a related party of QMS. QMS incurred expenditure of £0.005m with Scot EID in 2021/22 (2020/21 £0.005m) and no balance was due at 31 March 2022.

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.

##### **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 £193,814 (2020/21: £156,577). The contributions outstanding at the year end amounted to £14,439 (2020/21: £13,363).

## Quality Meat Scotland

### STATEMENT OF ACCOUNTS

For the year ended 31 March 2022

	Levy	2021-22 Non Levy	Total	Levy	2020-21 Non Levy	Total
	£	£	£	£	£	£
<b>Income</b>						
Statutory red meat levy	5,038,479	0	5,038,479	3,926,777	0	3,926,777
Consumer assurance scheme fees	0	1,529,782	1,529,782	0	1,552,519	1,552,519
Grant income	0	127,158	127,158	0	346,467	346,467
Ring-fenced funding	16,570	0	16,570	1,801,556	0	1,801,556
Miscellaneous income	0	159,239	159,239	0	24,537	24,537
Bank interest	0	302	302	0	14,784	14,784
	<b>5,055,049</b>	<b>1,816,481</b>	<b>6,871,530</b>	<b>5,728,333</b>	<b>1,938,307</b>	<b>7,666,640</b>
<b>Direct expenditure</b>						
Marketing and Communications	2,843,664	25,000	2,868,664	4,104,564	263,233	4,367,798
Industry development	505,275	72,158	577,434	443,127	96,467	539,594
Market Intelligence	639,439	0	639,439	396,356	0	271,852
Assurance scheme operating costs	0	1,595,861	1,595,861	0	1,511,206	1,511,206
Market Development	288,449	40,000	328,449	246,698	0	246,698
Corporate services	746,232	0	746,232	663,141	0	663,141
	<b>5,023,059</b>	<b>1,733,019</b>	<b>6,756,078</b>	<b>5,853,886</b>	<b>1,870,906</b>	<b>7,724,792</b>
<b>Surplus / (deficit) on ordinary activities</b>	<b>31,990</b>	<b>83,462</b>	<b>115,452</b>	<b>(125,553)</b>	<b>67,401</b>	<b>(58,152)</b>



## 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

**Schedule 1****Functions Of Quality Meat Scotland**

1. Promoting or undertaking scientific research.
2. (1) Promoting or undertaking inquiry— (a) as to materials and equipment; and (b) as to methods of production, management and labour utilisation.  
  
(2) Promoting or undertaking inquiry under sub-paragraph (1) includes promoting or undertaking—
  - (a) the discovery and development of—
    - (i) the new materials, equipment, and methods, and
    - (ii) improvements in those already in use,
  - (b) the assessment of the advantages of different alternatives, and
  - (c) the conduct of experimental establishments and of tests on a commercial scale.
3. Promoting the production and marketing of standard products.
4. Promoting the better definition of trade descriptions and consistency in the use of trade descriptions.
5. Developing, promoting, marketing or operating—
  - (a) standards relating to the quality of products; or
  - (b) systems for the classification of products.
6. Developing, reviewing or operating schemes for the certification of products or of operations connected with production or supply of products.
7. Undertaking the certification of products, the registration of certification trade marks, and the functions of proprietors of such marks.
8. Providing or promoting the provision of—
  - (a) training for persons engaged in or proposing to be engaged in the red meat sector; and
  - (b) their education in subjects relevant to the red meat sector.
- 9.— (1) Promoting—
  - (a) the adoption of measures for securing safer and better working conditions; and
  - (b) the provision and improvement of amenities for persons employed.  
(2) Promoting or undertaking inquiry as to measures for securing safer and better working conditions.
10. Promoting or undertaking research into the incidence, prevention and cure of industrial diseases.

- 11.** Promoting or undertaking arrangements for encouraging the entry of persons into the red meat sector.
- 12.** Promoting or undertaking research for improving arrangements for marketing and distributing products.
- 13.** Promoting or undertaking research into matters relating to the consumption or use of goods and services supplied by the red meat sector.
- 14.** Promoting arrangements—
  - (a) for co-operative organisations;
  - (b) for supplying materials and equipment; and
  - (c) for marketing and distributing products.
- 15.** Promoting the development of export trade, including promoting or undertaking arrangements for publicity overseas.
- 16.** Promoting or undertaking arrangements for better acquainting the public in Scotland with the goods and services supplied by the red meat sector and methods of using them.
- 17.** Promoting or undertaking the collection and formulation of statistics.
- 18.** Advising on any matters relating to the red meat sector (other than remuneration or conditions of employment) as to which the Scottish Ministers may request Quality Meat Scotland to advise, and undertaking inquiry for the purpose of enabling Quality Meat Scotland to advise on such matters.
- 19.** Undertaking arrangements for making available information obtained, and for advising, on matters with which the board is concerned in the exercise of any of its functions.
- 20.** Engaging in any form of collaboration or co-operation with other persons in performing any of their functions and entering into such consultations with other authorities and persons as appear to them required to ensure that duplication of activities is avoided so far as practicable.



# 21-22 QMS Final Audited accounts

Final Audit Report

2022-07-01

Created:	2022-07-01
By:	Debbie Phillips (dphillips@qmscotland.co.uk)
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Transaction ID:	CBJCHBCAABAAZvD_F6H6y7xoy8QiDc3zRHap3i8H5bth

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