

Isle of Man Meat Plant Audit September/October 2022

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Content

1. EXECUTIVE SUMMARY	5
1.1. FACTORY FACILITIES	5
1.2. INFORMATION GATHERING AND USE	5
1.3. STAFFING LEVELS AND AVAILABILITY	5
1.4. FACTORY THROUGHPUT & OUTPUT PER PERSON	6
1.5. FACTORY THROUGHPUT	6
1.6. PRODUCT SALES	6
1.7. CUSTOMER CARE	7
1.8. ADHERENCE TO LEGISLATION	7
1.9. SUMMARY	7
2. THE AUDIT TEAM	9
3. INTRODUCTION TO REPORT	10
3.1. THE NEED FOR THE MEAT PLANT	10
3.2. MEAT PLANT – (PREFERRED) STRATEGIC OPTIONS PAPER 2022	10
3.3. ‘DAWN OF A NEW ERA’ ISLE OF MAN MEATS BUSINESS DEVELOPMENT STRATEGY	10
4. COMPONENTS WHICH INFLUENCE PROFITABILITY OF MEAT PLANTS	11
4.1. INTRODUCTION	11
4.2. MEAT PLANT KPIS	11
4.3. INFORMATION GATHERING AND USE	11
5. FACTORY THROUGHPUT AND PRICING	12
5.1. INTRODUCTION	12
5.2. PRICING	12
5.3. INDUSTRY STATISTICS	12
5.4. NOTABLE FACTORS	12
6. FACTORY OVERHEADS	14
7. STAFFING LEVELS AND AVAILABILITY	15
7.1. BENCHMARK	15
7.2. STAFF LIST	15
7.2.1. STAFF ATTENDANCE RECORDS	17
7.3. STAFF MORALE	17
7.4. STAFF SURVEY	18
7.4.1. STAFF SURVEY RESPONSES	18
7.5. OUTPUT PER PERSON	18
7.6. PRODUCT LOSSES WITHIN THE PLANT	19

8.	<u>FACTORY MANAGEMENT AND GOVERNANCE</u>	20
8.1.	ORGANISATIONAL CHART	20
8.2.	SENIOR MANAGER	21
8.2.1.	CONTRACT	21
8.2.2.	PLANT MANAGEMENT	21
8.3.	[REDACTED]	21
8.4.	DEPARTMENTAL LEADERSHIP, TRAINING & DISCIPLINE	22
8.4.1.	STAFF DISCIPLINE	22
8.5.	BOARD OF DIRECTORS	22
9.	<u>STAFF UTILISATION, ALLOCATION AND WORKING SPEED</u>	23
9.1.	SUMMARY OF FINDINGS	24
10.	<u>SLAUGHTER AND BONING LINE REVIEW: FACTORY THROUGHPUT AND PERFORMANCE</u>	25
10.1.	SLAUGHTER LINE	25
10.2.	BONING FACILITIES AND PRODUCT YIELDING	26
10.3.	RED OFFAL FACILITIES	27
10.4.	PACKAGING OF PRIMAL PRODUCT	27
10.5.	ADDED VALUE PROCESSING	28
11.	<u>LIVESTOCK INTAKE</u>	29
11.1.	FINDINGS	29
11.1.1.	LAIRAGE DESIGN AND OPERATION	29
11.1.2.	BOOKING IN AND PRICING STOCK	29
11.1.3.	QUALITY OF CATTLE	30
11.1.4.	QUALITY OF LAMB	31
11.1.5.	PIG SLAUGHTER	31
11.2.	COMMENTS ON PROCUREMENT	32
12.	<u>FINANCIAL AND CONTROL PROCEDURES</u>	33
12.1.	CONCERNS	33
12.1.1.	ABSENCE OF CRITICAL REPORT PRODUCTION	33
12.1.2.	ABSENCE OF MEASUREMENT PROCEDURES	33
12.1.3.	ABSENCE OF ACCEPTABLE PRICING CONTROLS AND VALUATION	34
12.1.4.	ABSENCE OF REPORT PRODUCTION AND ANALYSIS	35
12.1.5.	MANAGEMENT AND CONTROL OF SALES PROCESSES	35
12.1.6.	PRODUCTION IT SECURITY	35
12.2.	COMMENTS ON FINANCE AND MANAGEMENT PROCEDURES	36
13.	<u>HEALTH AND SAFETY REVIEW</u>	37
13.1.	REGULATION BREACHES	37
13.2.	BRC AUDIT	37

13.3. ENGINEERING & MAINTENANCE.....	37
13.3.1. IRREGULAR CONDUCT.....	38
13.3.2. RELIANCE ON OUTSIDE CONTRACTORS.....	38
13.4. SITE SECURITY	38
13.4.1. ACCESS GATE.....	38
13.4.2. INTRUDER ALARM.....	39
13.4.3. KEY HOLDER POLICY.....	39
13.4.4. LONE WORKING.....	39
13.4.5. COMPUTER HACKING.....	40
13.5. PROTECTING ISLE OF MAN MEATS AGAINST CLAIMS.....	40
13.5.1. PRE-EMPLOYMENT MEDICAL CHECK.....	40
13.5.2. OCCUPATIONAL HEALTH CONTRACT.....	40
13.5.3. CONTRACTOR MANAGEMENT.....	40
13.5.4. ALCOHOL & DRUGS POLICY.....	40
13.5.5. RIDDOR BREACHES & FAILURES IN ACCIDENT REPORTING.....	40
13.6. CONTINGENCY PLANNING	41
13.7. INSURANCE AUDITS	41
13.8. PROTECTING STAFF	41
13.8.1. FIRST AID.....	41
13.8.2. MENTAL HEALTH.....	41
13.9. FIRE RISKS	41
13.10. MISSING POLICIES/PLANS/REGULATION BREACHES.....	41
13.10.1. [REDACTED].....	43
13.11. GDPR BREACHES.....	44
13.12. CHEMICALS & SUBSTANCES.....	44
13.13. COMPANY VEHICLES	44
13.13.1. VEHICLE POLICY.....	45
13.13.2. SECURITY OF KEYS ON SITE.....	45
13.13.3. VEHICLE SERVICING.....	45
13.14. ONGOING GROUND DRAINAGE ISSUES.....	45
13.15. COMMENTS ON LEGISLATIVE COMPLIANCE	45
<u>14. SALES REVIEW</u>	<u>46</u>
14.1. ON-ISLAND SALES	46
14.1.1. MINCE LINE.....	47
14.1.2. CUSTOMER INTERACTION.....	48
14.2. OFF-ISLAND SALES	48
14.3. COMPARATIVE PRICING FOR OFF ISLAND SALES	50
14.4. OFF-ISLAND SALES ARRANGEMENTS	51
14.5. CUSTOMER SERVICE.....	51
14.6. SOLUTIONS.....	52
<u>15. IDEOLOGICAL CHALLENGES FOR ISLE OF MAN MEATS.....</u>	<u>52</u>
<u>16. CONCLUSIONS</u>	<u>54</u>
16.1. FACTORS OUTSIDE THE CONTROL OF THE FACTORY	54
16.2. FACTORS WITHIN THE CONTROL OF THE FACTORY	54

17.	OVERALL SUMMARY.....	56
18.	COST OF IDENTIFIED CHALLENGES	57
19.	RECTIFYING THE CHALLENGES.....	58
20.	THE URGENCY OF PLANNING	60
21.	APPENDIX.....	62
21.1.	PLANT SUMMARY	62
21.2.	STRUCTURE AND ROLES.....	63
21.2.1.	MANAGEMENT STRUCTURE.....	63
21.2.2.	CRITERIA FOR ROLES WITHIN ISLE OF MAN MEATS.....	63

1. Executive Summary

A general examination of the factory showed that it is well equipped, with the ability to easily carry out the processes for which it is used. The factory is large in proportion to the current throughput and staffing of the factory is challenging. Our audit of the factory revealed several areas of concern, where the factory is either underperforming or at a disadvantage when compared to other facilities. These included:

- 1) Factory throughput
- 2) Slow pace of work within the factory leading to high staff costs per kg of product processed
- 3) Absence of effective data collection and report production, preventing the Senior Manager from having the correct information to manage the factory effectively.
- 4) An absence of oversight by the board, driven primarily by the inadequate provision of information.
- 5) The absence of Key Performance Indicators against which factory performance is monitored
- 6) Low staff availability, and unreliability of a proportion of the staff
- 7) Low staff expertise
- 8) An absence of skills and development training for staff
- 9) Inadequate and poorly structured sales arrangements for product which is sold off the island
- 10) The absence of a specific sales function within the plant which could, at the very least develop effective partnerships with customers and obtain effective price comparisons to ensure that product is being sold effectively.

1.1. Factory Facilities

- 1) The factory facilities are strong and relatively well maintained
- 2) The lairage is good. It is well maintained and promotes good animal welfare. It is difficult to keep clean however, demanding a lot of manual labour as it cannot really be accessed by machinery to clean it.
- 3) The factory environment is pleasant and is above average in terms of space, airflow and lighting.
- 4) The chills in the factory are excellent and the carcass swabs reveal a low level of contamination on primal product, meaning that they are fully safe for consumption.

1.2. Information gathering and use

- The factory is characterised by the low levels of information which are collected and used.
- Our Chartered Management Account reviewed the information which was collected and used within the factory and he indicated that there were wide gaps between expectations about information which should have been available and what was actually available. We have not repeated this list here as it is extensive, but it can be found in the main body of the report.
- We have attributed this lack of information primarily to the attitude of the Senior Manager, who is either unaware of the information which should be collected, or is unwilling to collect it due to the effort required. There is a lack of awareness of 'what good looks like' within the context of reporting and managing against Key Performance Indicators.
- An insufficient amount of Key Performance Indicators are used to manage the plant. Many more are required, and system changes will be necessary to collect the appropriate information.
- The finance and admin staff have not received the training which is necessary to produce the reports and information which should be used to manage the company and which should be passed to the board

1.3. Staffing levels and Availability

- Fully staffing the factory is a significant challenge, greatly exacerbated by the island location, where additional staff are not easily available, meaning that underperforming staff have been kept

- Staff morale varied within the factory, with some staff enjoying their work and being generally happy in the environment. Many others were not happy and the staff survey revealed a range of challenges.
- Operational staff attendance average is around 75%. This is much too low and demonstrates that there are many staff members on which factory management cannot rely.
- The staff in the factory are not incentivised to work quickly. There are no bonuses on offer (and probably not enough product to justify this at present).
- Many of the staff are under-trained and are learning on the job, without much (or any) supervision. This brings significant quality challenges, as well as slow speed of processing

1.4. Factory Throughput & Output Per Person

- A key determinant of factory profitability is the output per person. This can be expressed in a number of ways, but we have chosen to represent it by the “cost to process 1kg of product through the factory”. We have assumed that all beef and lamb is slaughtered and boned. This is not fully the case and the cost for processing if all beef and lamb was boned would be even higher than the figure we have used.
 - We have calculated a figure of 61 pence per kg of product processed, about twice that for a fully commercial medium volume factory. With over 2.2 million kgs of product processed through the IOM factory, this alone costs the IOM factory around £850,000 annually.
- We observed cattle slaughter during our first visit to the factory, and measured the line speed at approximately 8-10 cattle per hour.
- An expected line speed in a large commercial factory would be up to 40 cattle per hour, and the IOM Meat plant is capable of getting somewhere close to this, if fully staffed with trained individuals. Even delivering rates of 25 cattle per hour would make a substantial difference, and with appropriate staffing would be able to deliver this very rapidly.
- Lamb slaughter runs at around 80-100 lambs per hour. The larger lamb plants are operating at speeds of up to 600 lambs per hour, although this is not a reasonable target for Isle of Man Meats. We suggest that 150-200 per hour is achievable.
- Pig slaughter is also extremely slow, operating at around 15 animals per hour (although it must be noted that we only saw a very short run of pig slaughter and it would not necessarily have been representative of the more commercial kill which the factory usually undertakes).
- Product packing speeds are also slow, but this is to a large extent due to the slow boning speeds which precede the packing line.
- The mince line is operating at around 4-6 packs per minute compared to approximately 20 per minute in a fully commercial setting.

1.5. Factory Throughput

- The factory processes less than half of the potentially available cattle on the island, and its pricing is competitive against mainland factories for clean (prime) cattle.
- The factory processes a very small number of cows as the factory is not competitive against mainland factories, with approximately £300-400 difference per animal, with the majority travelling to the UK mainland for slaughter.
- The factory processes over half of the available clean lambs on the island, and again, pricing is competitive against mainland factories. There is potential for the factory to procure additional stock, as a lot of finished stock is being shipped off the island for slaughter in the UK.
- Pricing for cattle and sheep is linked to the AHDB quoted prices, which is sensible from a farmer perspective, but does not give the factory much leeway to adjust prices to enable fully commercial performance.

1.6. Product Sales

- We have concluded that sales are the weakest area for Isle of Man Meats
- It appears that sales are a ‘second class citizen’ and receives little focus

- On-island sales prices are reasonable, and considerably higher than off-island sales
- Off-Island sales prices are very low and considerable attention is required to build relationships which can change this to initially achieve competitive commercial prices, and, in the longer term, to reach premium markets which further increase returns.
- In order to thrive, Isle of Man Meats needs a sales-focused recovery. This will require Senior Management to devote considerable time to grow relationships with customers both on and off the island, showing a willingness to go the extra mile to provide the customer with a spec of product that they are happy with. We have concluded that there is an urgent need for the appointment of a salesperson who is on the Senior Management Team and who is sales and customer relationship focused.

1.7. Customer Care

- The team reviewed the relationship between Isle of Man Meats and a range of customers
- It was clear that Isle of Man Meats is not as sales focused, or as customer service focused as it should be
- In some cases, the broad story is one of a general unwillingness to work with clients to develop sales – almost that customers were viewed as a problem, not an opportunity
- It is crucial that on-island sales and customer service is improved. In business, people buy from people, and work put into relationship development is valuable and opens up the opportunity to add further value to the product.
- We believe that it is vital that Isle of Man Meats develops and implements a ‘Customer service charter’, setting out the standards which the company and its employees must achieve in their interactions with customers. This charter should include (amongst others) response times, quality targets and problem resolution steps

1.8. Adherence to Legislation

- The team reviewed the legislative compliance of the factory
- There are multiple failure areas across the plant, some of which are very serious. We are particularly concerned around the HACCP challenges, and the potential for liability to the plant across a range of areas
- It is clear that the factory culture is not focused on compliance. Much of the above legislative requirements are essentially ‘licences to trade’, and failure is not an option
- Many of the failings identified are extremely serious and reflect very badly on the Plant

1.9. Summary

The factory displays an overall malaise. There are multiple problems, and it will take an extended period of time to resolve them. We have listed the five largest challenges below:

- 1) **The sales model is fundamentally flawed.** There is no real oversight of pricing, and there does not seem to be any interest in driving sales. We believe that the single biggest challenge facing Isle of Man Meats is the driving of sales prices which are profitable for the plant and encourage farm production on the island
- 2) **The amount of management and financial information which is collected is much too low.** The level of information which is collected is too low to enable effective close management, and a focus on areas which should be improved. There is little excuse for this low level of information and it needs to be resolved very quickly. A culture of information collection, analysis and use must be implemented
- 3) **The pace of operation of the plant is much too slow.** The pace of slaughter is so slow that slaughter runs which should be completed in 3 hours are taking almost all day. This means that staff cannot be reassigned to different tasks following slaughter. Due to the slow pace of work, the plant requires additional staff, which increases costs and causes problems for management in ensuring that enough staff are available in the plant to carry out day to day tasks. A smaller team of faster, more skilled, higher paid employees would be a benefit to the plant. The slow pace of work also means that it is difficult to increase kill to dilute overheads.

- 4) **The staff management and training programme is fundamentally flawed.** The factory has a culture of delivery of the urgent rather than the essential. Most of the employees in Isle of Man Meats do not have the required skill levels, and no long-term training and staff development programmes have been put in place. Additionally, each department, with the exception of dispatch, lacks a strong manager to lead and train the team. Overall, there appears to be a focus on command rather than leadership
- 5) **Adherence to regulation is poor.** Our Health and Safety review revealed very large failings and highlighted poor company culture in this area
- 6) **The factory process reveals an overall lack of attention to detail.** Operation of a business such as Isle of Man Meats demands a real attention to detail, and this does not appear to be in place. Where things can be left, they are, and there is a startling lack of proactive work to address the many obvious problems. This lack of proactivity is the hallmark of almost every one of the plant's activities, and the end result is poor prices, poor customer service, slow processing, high operating costs, unskilled staff, product damage and poor adherence to legal requirements

2. The Audit Team

Dr Jonathan Birnie

Senior Consultant with over 25 years of comprehensive whole chain experience in the Food Industry including working at Sainsburys and Dunbia.

Edward Boyd

Associate Consultant Edward Boyd has over 40 years of experience of animal grading, boning hall management, carcass butchery and factory process. He was chief grader for Northern Ireland and has overseen grading and slaughter process in multiple beef, lamb and pork production sites. He also has over fifteen years of experience of procuring livestock across multiple sites.

Joy McFarland

Associate Health and Safety Consultant Joy McFarland is NEBOSH qualified and has over 35 years of experience of Health and Safety management, auditing and development within the red and white meat sectors.

Philip Birnie

A Chartered Management Accountant with extensive experience of managing value chains, meat sales and commercial management within the meat production sector.

Ashley Hassin.

Project Manager with over 15 years of experience in project management, communication, marketing and branding.

3. Introduction to report

Throughout the last few years, there have been a range of reports produced by a variety of people into the operations of the Isle of Man Meat Company Ltd. These included the “Kniveton” Report as well as the report produced by the Environment and Infrastructure Policy Review Committee and the “Meat Plant – (Preferred) Strategic Options Paper 2022” which was produced by the Board of Directors and is discussed in greater detail below. Although the remit of this audit is different, we have used these reports to inform our investigations and where possible, have built on their findings.

This audit was commissioned to enable a clear understanding of the reasons why the factory is making substantial, and increasing losses. To identify methods of reversing the loss, describing how this might be implemented and enabling understanding as to whether or not the factory has the potential to become profitable or if it will always require financial support providing evidence to understand the size of the subvention which may be required in the future.

As this report will reflect, substantial work is necessary on all aspects of the business from senior management change, to training practices, to Health and Safety improvements. We strongly believe that after this work is completed, the Plant will be in a better shape to operate without these very large levels of government subvention.

3.1. The Need for the Meat Plant

As an Island Economy, and after discussions with multiple stakeholders including the Isle of Man Meats Board of Directors, Manx National Farmers Union, the Fatstock Marketing Association (FMA), Isle of Man Meats Customers and Individual Farmers, we share the view that the Isle of Man Meats provides an essential service for the Island and its continued operation is vital.

Calculations put forward by Isle of Man Meats suggest that the meat plant unlocks upwards of £25 million of economic activity on the island, providing a good return on government investment. However, the level of support required by the plant has been growing substantially for a period of years. The size of the subvention is becoming untenable, and we have the view that the plant should be able to operate effectively on a much smaller level of support.

3.2. Meat Plant – (Preferred) Strategic Options Paper 2022

As part of their subvention funding in 2022, the Directors of the Isle of Man Meat Company (Isle of Man Meats) were asked to produce a strategic options paper outlining future potential operational scenarios for the plant, and the Audit team were asked to comment on it as part of our work.

Although the document was well presented, based on findings during our Audit, the team couldn't find any mechanisms already in place for the plant to enable any of the options to be viable, apart from Option 1 which is to simply allow the subvention level to keep rising.

3.3. ‘Dawn of a New Era’ Isle of Man Meats Business Development Strategy

During our time auditing the plant, the audit team became aware of the ‘Dawn of a New Era’ strategy developed by Isle of Man Meats’ marketing and business strategy company 572 in May 2022. This strategy only came to light through discussions with one of the Directors and we understand that although it has been sent to board members, it is yet to be presented by the authors or discussed in any detail at Board Level.

The strategy is well presented, thought out and deserves proper consideration as a potential way forward. They have identified many of the issues which we too have found, particularly with regard to product sales. We understand that 572 are doing similar work with great success with another business on the island and replication of these results would help to move Isle of Man Meats forward in a positive and meaningful way.

Much of what is contained in this strategy would resonate with our findings during audit, and there is unquestionably the ability over time to develop a premium supply from the Isle of Man.

4. Components which influence profitability of meat plants

4.1. Introduction

Meat plants are complex and challenging to manage. Multiple factors influence profitability, and management of each must be optimal, if profitability is to be achieved. This is true of abattoirs which are situated in large regions, with a ready supply of livestock and labour. It is especially true of a plant like that on the Isle of Man where livestock supply is restricted, and there are challenges around the supply of labour.

The gathering, analysis and usage of data to manage the plant is essential, and this must be delivered within the context of a development strategy, with analysis of the data showing progress against the development plan.

4.2. Meat plant KPIs

Across the UK and Ireland, abattoirs are generally operated against a series of KPIs which are strongly indicative of the overall factory performance. These include (but are not limited to);

- 1) The level of management information which is available and used
- 2) Total factory throughput (kgs of carcass per species)
- 3) Size of factory overheads (costs which are unrelated to factory throughput)
- 4) Cost to kill (generally quoted per kg of carcass meat produced)
- 5) Cost to bone (quoted per kg of meat boned)
- 6) Cost to kill and bone (quoted per kg of carcass meat slaughtered)
- 7) Weight of product purchased versus weight of product sold
- 8) Drip/moisture loss from carcasses
- 9) Boning yield achieved per species and per product (per batch, per week, per month, per year)
- 10) Proportion of each product resulting from boning activities
- 11) Total production cost per kg (kill, bone, pack and despatch)
- 12) Purchase price of livestock split per classification of animal purchased (prime stock, over thirty month, finishing cow, blue cow etc.)
- 13) Sales price achieved per kg for each product (and product category)
- 14) Sales prices against industry benchmarks
- 15) Waste disposal costs
- 16) Employment costs
- 17) Value added per employee
- 18) Gross margin
- 19) Net margin

Assessment of each of these components allows monitoring of the individual areas of a production plant and comparison to benchmarking figures and targets allows close management. Isle of Man Meats currently records most of these figures, but management against each of these factors is not always as close as it should be.

4.3. Information gathering and use

The factory's operation is characterised by the low levels of information which are collected and used. Our Chartered Management Accountant reviewed the information which was collected and used within the factory. He produced a very clear set of findings.

5. Factory Throughput and Pricing

5.1. Introduction

As already stated, the factory is well designed and invested and, if fully staffed could potentially process at least 600 cattle per week, and about 3000 lambs (slaughter and boning). The factory currently processes around 80 cattle per week and 600 lambs, as well as approximately 20 pigs. In addition to clean cattle, the factory processes a very small number of cows. Isle of Man Meats is not price competitive for cows against mainland factories, with approximately £300-400 difference per animal being quoted by a range of farmers, meaning that transport off the island for slaughter is viable.

The low throughput of the factory contributes to the high fixed price component of the final product cost. Normally, increasing throughput will reduce the fixed cost component, but only if the product attracts a Gross Margin at sale.

5.2. Pricing

Pricing for cattle and sheep is linked to the AHDB quoted prices, which is sensible from a farmer perspective, but does not give the factory much leeway to adjust prices to enable fully commercial performance. A 10 pence per kg alteration in the price for cattle represents a difference of £130,000 in cost to the factory, and £60,000 in sheep.

Currently farmers are generally paid three weeks after the animals are slaughtered, with one week for the AHDB prices to be published and then two weeks following publication of this information. At the end of the financial year, the plant sometimes delays payments to enable the accounts to look healthier, putting unnecessary hardship on the farmer, who inform us that, in some cases they are paid for their cattle by off-shore processors before they have even reached the slaughter line.

5.3. Industry Statistics

The Isle of Man has a significant amount of agricultural production. The figures are as follows:

Species	Number on island
Agricultural land	112,000 acres
Total grass	64,000 acres
Rough mountain	2,028
Total cattle	26,740
Dairy cows	4232
Replacement dairy heifers in-calf	668
Replacement dairy heifers over 1 year to be put to bull	901
Beef dairy cross finishing cattle	5730
Other cattle	15,209
Young lambs	51,000
Ewes	47,000
Sows	134
Finishing pigs	1400
Old sows	50

5.4. Notable Factors

The factory processes less than half of the potentially available clean cattle on the island, and its pricing is competitive against mainland factories.

There are potentially about 10,000 cattle available on the island if all were to be finished there, but significant work would be required in conjunction with the farming industry to ensure that the flow of cattle rises.

Additional work will have to be carried out to ensure that strong farming relationships are built, and that markets are available for the additional stock, ensuring that there is an acceptable lead time between booking animals in and them actually being slaughtered.

There are potentially around 50,000 lambs available for slaughter on the island, but many of these are shipped off the island for slaughter. The factory processes 33,000 of the available clean lambs, and again, pricing is competitive against mainland factories

The climate of the Isle of Man is highly suited to sheep production and it could be increased on the island, but again this would have to be delivered over a long-term period, through the building of markets for the product and the building of long-term relationships with the farming base.

6. Factory Overheads

The following table summarises the main costs associated with the operation of the Isle of Man Meat plant. Figures are weekly, unless otherwise indicated.

Overheads	
Number of employees	49
Annual Wages and Salaries	£1,370,372
Annual average cost per employee (without Executive pay)	£25,637
Average weekly cost per average attendee	£493.03
Average weekly employment costs	£26,353
Directors Fees	£1,028.85
Rent	£2,307.69
Rates	£602.31
Power (Electric)	£4,465.92
Gas	£2,169.23
Water	£448.50
Vehicles costs	£825.79
Plant & buildings costs	£3,316.19
Training costs	£57.69
Print/Stat/Postage	£178.87
Telephone	£179.71
Office Equipment	£40.96
Advertising & Marketing	£769.23
Insurance	£1,725.63
Credit Insurance	£414.46
Audit/Accountancy	£341.83
Computer Expenses	£593.29
Professional and Legal Fees	£19.54
Interest paid	£275.00
Bank charges	£105.17
General expenses	£238.12
Environmental/H&S costs	£787.60
Supermarket audit costs	£202.31
Depreciation and amortisation	£1,286.33
Total Weekly Overheads	£48,733
Total Annual Overheads	£2,534,116

In reality, these figures are not out of line with what would be expected when compared to other similarly sized factories, with the exception of wages. For the amount of product that the factory is producing, the employment costs are high, running at at least one third above expectations. There are various explanations for this, but, as described elsewhere in the report, there are multiple steps which, over time can reduce the labour in the plant.

7. Staffing levels and availability

The audit clearly demonstrated that there is a significant challenge at Isle of Man Meats around the sourcing of suitably skilled (or indeed any) labour.

Staffing any type of agri-food processing plant can be a challenge, and this is difficult more so on an Island location where staff are not easily available, meaning that underperforming staff are kept, where ideally they would have been let go. We believe that staff levels are kept high because many of the staff regularly fail to turn up when required, meaning others are needed to cover their jobs. This has caused much ill-will within the factory team as discipline for those who don't come to work is seen as inadequate.

We are also clear that factory staffing levels are high in relation to the output of the factory. This is because the plant carries out a number of functions which require relatively high levels of staffing, but only delivers these functions for relatively short periods of time each week. Our observations show that the plant carries out these functions at extremely slow rates when compared to fully commercial plants at approximately 20 to 25% of the typical commercial rate for both slaughter and boning.

Skill levels amongst the majority of staff are low, and observation of practice on the slaughter lines and boning lines shows that quality and speed challenges are occurring as a result and that training is urgently needed. We have also identified an almost total absence of staff training, leaving loyal staff with few ways to develop their skills and careers. This frustration is reflected in the staff surveys.

7.1. Benchmark

Benchmarking of activity against other sites can be difficult, because no individual sites are directly comparable. However, non direct comparisons are also valid, because they highlight the key areas where Isle of Man Meats is uncompetitive.

The following information is drawn from a plant which is almost identical in physical size to the plant on the Isle of Man, but which is producing significantly greater numbers of stock. It can be seen that the major difference is in the comparison of total cost to kill and bone. The higher volume of stock and speed of throughput is the major difference between the two organisations.

	Benchmark Site	Isle of Man Meats
Staff Numbers	175	49
Weekly cattle numbers	1100	80
Weekly lamb numbers	3000	600
Average Salary (including executive remuneration)	£28,900	£27,966
Total Salary	£5,057,500	£1,370,372
Total wages costing/kg	£0.24	£0.61

Until the Isle of Man factory is able to process a larger volume of stock, at at least three times the speed it is currently operating at, overall costs of production will remain much higher than the commercial average, driven mainly by high overheads for the output of the factory.

7.2. Staff list

Senior Staff

1. Plant manager
2. Financial controller

Mid-Level Managers

3. Compliance Manager

Department Managers

4. Admin/Procurement
5. HR/Technical/Compliance
6. Procurement/Marketing/Admin
7. Retail Manager
8. Sales and Dispatch Manager
9. Engineering Manager

Admin Staff

10. Purchase Ledger/Admin
11. Sales Ledger/Admin
12. Admin

Operational Staff

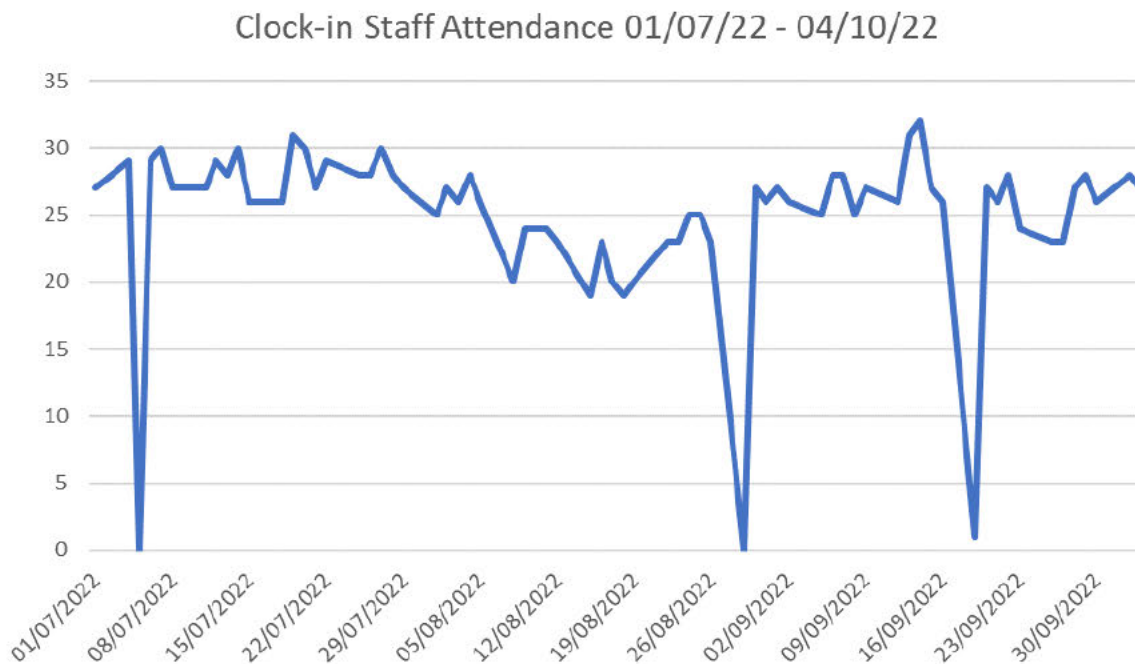
13. Butchery
14. Butchery/Claughter
15. By Products
16. By Products/Butchery
17. By Products/Butchery
18. Byproducts/Offal
19. Cleaning Supervisor
20. Despatch
21. Dispatch/Slaughterline/Driver
22. Driver
23. Engineering/Slaughterline
24. Lairage
25. Lairage/Floor Cleaner
26. Lairaige
27. Packing/Slaughter
28. Retail/Butchery
29. Retail/Butchery
30. Retail/Butchery/Computor/Slaughterline
31. Retail/Butchery/Slaughterline
32. Slaughterline/B
33. Slaughterline/B
34. Slaughterline/Cleaner
35. Slaughter/Butcher/Cleaner
36. Slaughterline
37. Slaughterline
38. Slaughterline
39. Slaughterline
40. Slaughterline
41. Slaughterline
42. Slaughterline/B
43. Slaughterline/B
44. Slaughterline/Cleaner
45. Slaughterline/Offal
46. Slaughterline/Offal
47. Slaughterline/Offal
48. Slaughterline/Sales Team Leader

Other Staff

49. Admin/Technical

7.2.1. Staff Attendance Records

As already highlighted, staff reliability and attendance is a significant challenge at the plant. The following is a snapshot of the attendance of 35 operational staff with clock-in cards over a 3 month period. It shows highly sporadic attendance, with an average attendance of just 75%. The graph below tracks total attendance over the period, with very few days where the staffing levels are the same for more than a few days in a row. The three usual production days where zero staff are for the three bank holidays during this period (August Bank Holiday, Tynwald Day and the Queen’s Funeral). There is also a dip in attendance during July which is a usual holiday period.



7.2.1.1. Regular Attenders

When looking at staff attendance, it is important not just to look at the overall average, but to take into account individual members of staff which will indicate where the average is being ‘pulled down’. Over the same time period outlined above, we calculated the following figures which show the frequency of individual attendance figures for staff.

>10%	10%	20%	30%	40%	50%	60%	70%	80%	90%+
2	0	1	1	0	1	4	5	9	11

As the table clearly shows, the majority of operational staff (59%) were attending work regularly (defined in this case as having more than 80% attendance rate) during the time period, with one member in the 90%+ bracket having 100% attendance. This indicates that the company has a core of staff who, with some encouragement and training, could be the foundation on which future company development is built.

Staff illness records were not available.

7.3. Staff morale

One of the biggest issues, and perhaps a major contributing factor to low staff attendance, is staff morale. It is important to note from the staff survey and direct feedback from staff that there are some who enjoy their work and are generally happy in the environment, but it is also clear that for many the reality is quite different.

Staff in the factory have no incentive to work quickly, with no bonuses on offer for hitting KPI's (which currently are not defined). The recent pay raises were also mentioned, with many unhappy with how these were allocated, with some doing the same job getting higher raises than others.

Low morale could also be a product of low job satisfaction. Many staff are under-trained and are learning on the job, without much (or any) supervision, and many find this a challenge. During the audit, the team witnessed a new team member being handed a knife on the afternoon of his second day to help on the slaughter line. This person had received no training apart from his induction including no knife skills training or knife safety training. When observed on the line by Edward Boyd, it was evident that his new member was slowing down the slaughter line, with another member of the team being allocated to help do part of the job, tying up two members of staff on a one-man job, instead of doing the necessary training.

7.4. Staff Survey

As well as engaging with and interviewing members of staff, a survey was produced as part of the audit to allow staff an anonymous voice with which to give their opinions. This was conducted online, which links circulated to staff through a letter which was either given to staff by a member of the audit team, or left with their clock-in cards. A copy of the letter was also put in the staff canteen to allow as much uptake as possible. Fifteen staff members responded to the survey.

7.4.1. Staff Survey responses

We have outlined the general direction of the responses from the staff survey in this section.

What do you enjoy about working in Isle of Man Meats ?

The most highlighted response was that staff enjoy working well together. This was second only to the regularity of work with weekends off also a point.

Do you feel valued by the company management?

As was reflected in some of the private conversations the audit team had with staff, the majority of lower-level staff don't feel valued by management.

What changes would you like to see within the company?

The biggest change people would like to see is to the plant management and staff wages. As reflected in the previous question, staff feel undervalued by management within the plant, with the Senior Manager's management style being repeatedly mentioned within this response section as well as in the interviews with staff.

How do you view your advancement possibilities within the company?

Overwhelmingly, respondents didn't feel there was any advancement opportunities within the company.

Do you feel your performance is rewarded sufficiently?

Yes: 6.67%

No: 93.33%

Is there any information you would like to include in the survey?

Although there are some interesting recommendations in this section, largely the staff used it to complain again about management, pay and training.

7.5. Output per person

A key way to determine factory profitability is to measure the output per staff member. This can be expressed in a number of ways, but we have chosen to represent it by the "cost to process 1kg of product through the factory".

The model assumes that all beef and lamb is slaughtered and boned. This is not fully the case for lamb however the cost for processing, if all lamb was boned, would be even higher than the figure we have used.

We have calculated a figure of 61 pence per kg of product processed – approximately twice the cost of a fully commercial medium volume factory (which we have benchmarked at 24p/kg). With over 2.2 million kgs of product processed through the IOM factory, this alone costs the IOM factory more than £800,000 annually.

The team have determined that output, especially on the slaughter line, is between 20-30% of what is possible for the facility, if adequate numbers of skilled staff were in place. The boning yields are acceptable for unskilled staff, but could be improved which a significant rise in factory return. Our estimates suggest that up to £70,000 could be available from improving the cutting lines for beef in particular.

It is the opinion of our Slaughter line expert Edward Boyd, that an experienced Slaughter Line Supervisor who has the necessary skills and the respect of the staff would be able to upskill existing staff to the required level, while also giving them job satisfaction and raising morale levels. This Slaughter Hall Manager must be able to buy into any future staff development plan and to deliver against it.

7.6. Product losses within the plant

As part of the Audit, the team calculated an overall product balance across the full calendar year, comparing animals purchased to the overall sales weight of product. This audit revealed that the amount of product sold was fully in line with the expectations which result from the total volume and weight of animals purchased.

This clearly suggests that, if theft is taking place from the plant, it is at a very low level, and is not responsible for the large losses which the plant is making.

8. Factory Management and Governance

Throughout our time investigating Isle of Man Meats, concerns over leadership from senior management was repeatedly mentioned by both staff and by multiple outside stakeholders.

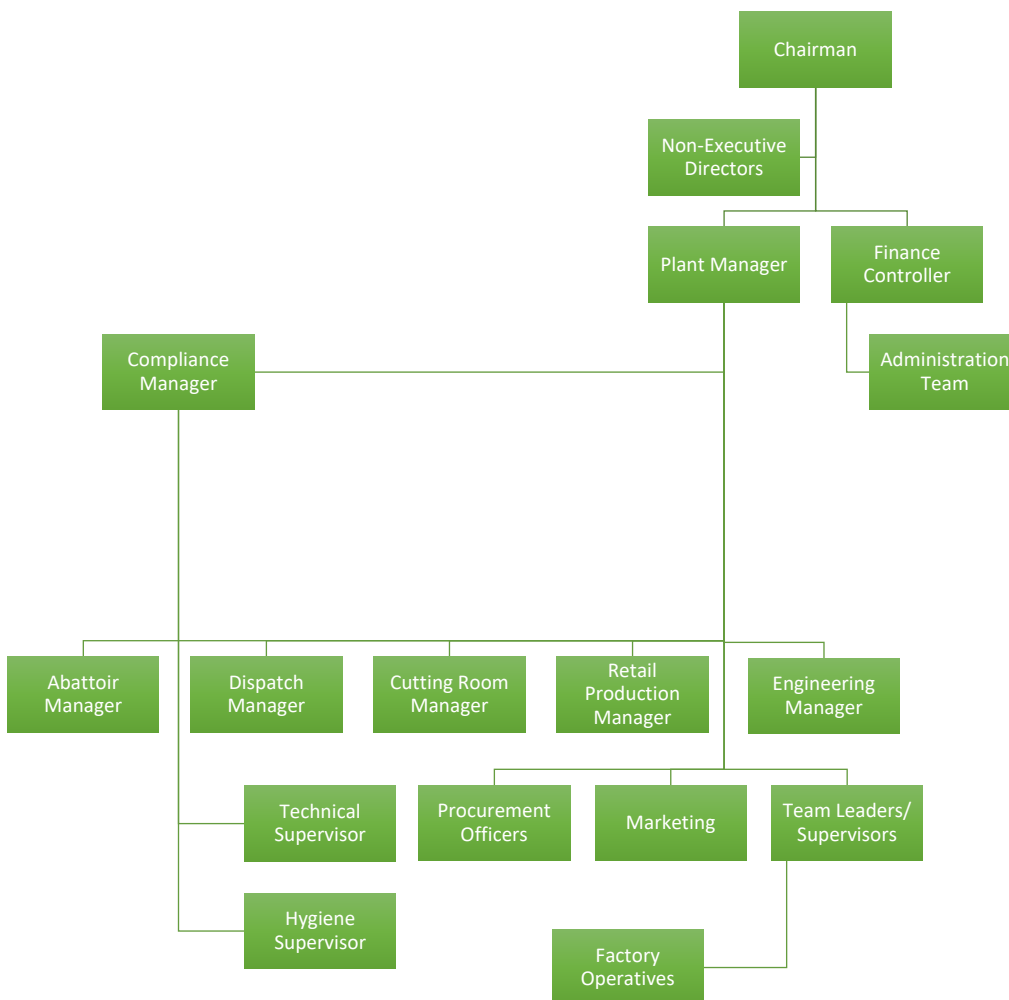
A key conclusion from our analysis is that the Board of Directors is not holding management to account strongly enough. The overall information which is recorded in the plant, and which is used by management to assess overall performance, is much too low (as identified elsewhere within this report), and the information which is being provided to the board is inadequate.

It is clear from the minutes of the board meetings that some individuals have tried to question the plant management more effectively, but have been rebuffed in their attempts.

As auditors, our interpretation of this is that the Senior Manager has been either unable or unwilling to produce the information and that this is a key reason for the underperformance of the plant. It is almost impossible to manage what is not measured, and the lack of measurement is an indictment of the Senior Manager, and it does not reflect well on the functionality of the Board of Directors, who should have insisted on the implementation of and reporting against specific Key Performance Indicators.

8.1. Organisational Chart

The following chart shows the overall management and governance of the plant. As you can see, although the Finance Controller and the Plant Manager are on the same level, operationally it is the Plant Manager who is the line manager for most of the staff in Isle of Man Meats.



8.2. Senior Manager

8.2.1. Contract

Within the contract a basic salary of £ [REDACTED] based on 36.5 hours is outlined, and is paid in a monthly salary. The Senior Manager is subject to a yearly review which should consider performance, remuneration package and terms and conditions of employment with no guarantee of increase in remuneration.

Bonus Structure & KPI's

Written into the Senior Manager's contract is provision for a performance related bonus (Senior Manager performance and that of the company) up to a maximum of £ [REDACTED] KPI's need to be set on a yearly basis by the Chairperson. This has not been carried out for a number of years, and bonuses have been paid without review, or recourse to effective KPIs.

With the growing level of subvention (and increasingly poor level of performance of the factory), awarding of performance bonuses to the Senior Manager should not have taken place. We believe that board must immediately ensure that appropriate KPIs are in place for the Senior Manager and that bonuses are only paid if these are achieved

8.2.2. Plant Management

It is evident that there is a toxic staff culture within the factory which is caused or enabled by the Senior Leadership. There has been a failure to implement a continuous improvement culture which would enable staff to become more effective, with many instances of staff being asked to deliver roles for which they are not qualified and for which they do not possess the ideal level of skills. This is partially driven by staff availability but could be alleviated through an effective staff training programme.

In our view, there are many instances where the focus in Isle of Man Meats is on delivery of the urgent (get staff for now), to the detriment of the important (train key staff for the future). A constant narrative seems to be the challenge around obtaining staff (which is correct), but there is no narrative around developing the skills of those staff to enable the factory to run more effectively in the longer term, and that the trained staff increase their job satisfaction. Almost all operative staff stated that they did not feel valued by senior management. It is also our view that the staff are poorly utilised, mainly dictated by the slow pace of production.

Observation of the financial performance of the plant over the last 4 years shows a worsening situation, and discussions with staff have revealed that general staff management has degraded during this period. In combination with other factors (discussed later in the report) such as the lack of financial and physical measurements and controls, and the serious breaches of safety legislation, as well as the lack staff development, changes within the management style and structure are required to design and implement a strategy which will deliver the improvement which the plant needs.

We believe that the board must either implement an in-depth training and development course for the Senior Manager, in conjunction with very clear KPIs that must be achieved, or they must consider the installation of a Senior Manager who has the requisite experience and characteristics to manage the plant effectively.

8.3. [REDACTED]

The [REDACTED] at the plant is qualified and competent. However, due to [REDACTED] background, [REDACTED] knowledge of meat plant KPIs and operation is not as strong as it should be. This is primarily attributable to the absence of clear guidance on the information which is necessary to effectively manage and report the performance of a meat plant. We are confident that, should guidance be given and systems put in place to gather the appropriate data, the [REDACTED] will be able to provide the necessary information in a timely manner.

8.4. Departmental Leadership, Training & Discipline

It has been identified that the individual departments (with the exception of despatch) do not seem to have strong leadership. This is seen as a challenge by multiple individuals (both employed by the plant or providing services to it) and has stemmed from years of poor staff culture.

Multiple individuals have identified a bullying culture, with 'favourites' being protected and others ignored. Several staff have reported bullying being used as a tactic to control, rather than manage staff. Many individuals highlighted that problems were ignored or hidden rather than being dealt with.

For a team to function well, a proper training matrix should be in place, allowing team members to grow within their roles. Currently the company does not have any formal training procedures, leaving individuals feeling undervalued. This is further compounded by staff being moved regularly from job to job meaning they are unable to develop specialisms and are often operating outside their skillset.

8.4.1. Staff discipline

Staff discipline at the plant is concerning, with intermittent attendance and repeated incidences of breaches of the behavioural code. It is clear that there is not a strong and consistent structure in the plant around staff management and discipline.

Several staff expressed opinions about 'the tail wagging the dog', with multiple incidences of bad behaviour not being dealt with, primarily on the grounds that the factory needs staff. Through investigations in the personnel files, we have uncovered multiple instances of breach of policies which have not been correctly investigated with disciplinary action not properly carried out. It would not be right and proper to outline these in this report as we did not have the remit to investigate fully, but all relevant information will be passed onto the Board of Directors to allow a proper investigation can be carried out if deemed necessary.

8.5. Board of Directors

It is clear that the Board has had difficulty in obtaining figures which allow them to monitor factory performance. As explained elsewhere in this report, the in-factory monitoring is inadequate and many KPIs which should be in place are absent. As a result of this lack of information, it is difficult for the Board to hold the Plant Management Team to account because any number of explanations can be given if the evidence is not there to refute claims which are made.

We have not been present at board meetings and therefore cannot comment on the dynamics within the meeting, but it is clear to us that, from this point on, the board has to act decisively, making clear decisions and enabling an effective Executive team to be created and operate effectively.

This Executive team must be able to work effectively together and have clear targets which are regularly reported on. Targets will be both numerical (quantitative) and descriptive (qualitative). Targets should include;

- 1) Specific data collection targets
- 2) Implementation of Key Performance Indicators
- 3) Specific report creation targets, with frequency and reporting methods
- 4) Creation of development plans (sales plans, procurement plans, training plans etc)
- 5) Financial targets

The Board Chair is a critically important position, and must lead the board effectively and decisively. Ideally the chair should have in-depth knowledge of beef and lamb processing, or alternatively of high level management at another manufacturing business. The chair must have the skills and industry knowledge to hold the Executive Team at the factory to account.

9. Staff Utilisation, Allocation and Working Speed

One of the most striking aspects of our factory audit were the observations around the pace of work which is accepted within the factory. Across all aspects of production, the pace of work was an order of magnitude slower than what would be accepted within a fully commercial factory.

Essentially it appears that the work expands to fill the time which is available. This has most likely happened over an extended period of time, but is nonetheless a very significant problem. It means that, firstly, more people than ideally necessary are needed to operate the plant, and secondly, that these extra people cost the company a financial penalty, meaning that the cost to kill and bone is much too high. Thirdly, the additional personnel required mean that the Senior Manager is constantly searching for more staff and is constantly dealing with urgent problems rather than oversight and development functions which are necessary to improve the plant's competitiveness.

The key determinant of staff requirement is the slaughter line. The factory is unable to drop below the number of operational staff to enable this function, and there is a need for the factory to have one or two 'spare' staff to cover absences or holidays. The current attendance rate at the plant is poor and it is clear that something would also have to be done to address this before staff reduction could be feasible.

The following diagram shows each station on the Isle of Man Meats beef line. By our estimates the line could run effectively with 16 people (including a supervisor). This is open to some debate as there are other tasks which, it could be argued need to run concurrently with the slaughter process. The amount of people required to bone is entirely dependent on the volume of boning required.



What is clear to us, however, is that the factory could operate with fewer staff, if the operational team were much better trained and the slaughter lines were operated much more quickly. This would mean that, even if running at full commercial speed the factory could offer full time work for a smaller number of people.

This would require careful role selection and each individual would need to be responsible for more than one area. We believe that, following the slaughter process on each day, some of the staff should be utilised for cleaning up, other staff should move to the boning hall to process product from previous days, others could operate the offal and hides functions and yet other staff could move to packaging and despatch. Not all of these tasks need to be

completed on the same day, but the full task list demands that the Senior Manager undertake careful scheduling and role allocation.

It also demands that an extensive staff training plan is put in place, along with changes to contracts, and the implementation of an appropriate award programme. The reduction of staff in the plant will free up additional room for increased financial rewards for the remaining staff, and in combination with training and development, this will create a workforce who have rewarding careers and not just jobs.

Examination of attendance records show that on any given day only about 75% of those supposed to be on-site actually turn up, suggesting that job satisfaction is not particularly high, or that those who are prepared to do much of the work are unreliable.

If procurement and sales could be increased in the future, additional staff can be re-employed.

9.1. Summary of findings

It is clear to us that there are too many people in some areas and not in others. For example,

- Procurement is over-staffed
- Sales is under-staffed
- The list of general operatives would indicate overstaffing, but the attendance is poor. A reduced number of more reliable staff is essential.

10. Slaughter and Boning Line Review: Factory Throughput and Performance

We reviewed both the slaughter facilities and the boning and packing facilities. Some aspects of factory performance were operating well, but a key number of factors which negatively impacted performance were identified.

10.1. Slaughter Line

We noted the following points as being significant in the slaughter hall:

1. The slaughter hall environment is pleasant and of a high standard when compared to the majority of plants across the UK and Ireland, with lots of available airflow, good lighting and good airflow.
2. The slaughter hall lacks a manager who can take overall control of operations and who can provide the necessary guidance and training to develop the skills of employees.
3. The slaughter hall has a shortage of skilled operatives
 - (1) The lack of readily available labour on the island means that plant management often struggle to ensure that a sufficient number of staff are available to ensure that each processing station operates efficiently
 - (2) The ongoing lack of training and staff development means that those at each station on the slaughter line are often not trained or not fully trained meaning that the tasks are not delivered as quickly or as well as they could be
 - (3) Many factory employees regularly end up carrying out tasks for which they are either not employed or not skilled for
 - (4) It was clear that some of the operatives are skilled and good at their jobs, but we believe that the slaughter line is short of 2 to 3 skilled individuals, and it is important to note that, in specific areas, one unskilled person can significantly slow the pace of the line. It is commonly recognised that the line speed is, at least to some extent, dictated by the least experienced operative, meaning that effective skills training pays dividends
4. The slaughter line is operating at approximately 8-12 cattle/hour, compared to a much more usual operating speed of around 35-40 cattle per hour. We believe that the line in Isle of Man Meats is capable of operating at 30-35 cattle per hour
5. The same is true of the sheep slaughter, with operating speeds of around 100-120 lambs per hour (when all is operating smoothly). In reality, the speed of slaughter would be considerably faster with a fully trained staff
6. We additionally observed a high proportion of poor dressing of lambs which causes devaluation of the carcass. Although we were only in the factory for a few days, we gathered evidence that, on a regular basis, as many as half of lambs carcasses are damaged in some way. Again, this can only be resolved through training
7. We noted that, on the whole, carcass trimming was good, with only fine tuning needed to improve small areas

8. We noted that, during our main visit, the grading of the carcasses was good, although on the first visit we observed some carcasses which could have been challenged by the supplying farmer.

It is notable that the pace of the line is slow enough to enable effective training to take place, and although this may initially be disruptive, in the longer term it would bring significant benefits, particularly through increased speed of operation.

We believe that a specific training programme should be designed and delivered to upskill the factory staff who regularly work in the slaughter hall. This training programme should ensure that at least four staff are capable of operating each station on the slaughter line at normal commercial speed at typical commercial quality.

We believe that there should be refresher training on a six monthly basis. This training should be specific and should be overseen by a training manager.

We believe that the pace of the line could be gradually increased. Currently there is no ability for the plant to operate at true commercial speed, but achieving kill rates of 25 cattle per hour and 200 lambs per hour should be achievable and would leave time for other tasks to be carried out.

10.2. Boning facilities and Product Yielding

Our boning specialist investigated the boning techniques, yields and speed of operation in the factory. He noted the following:

The speed of operation is very slow, and there is no incentive for staff to work quickly. Due to the relatively low levels of product being boned during our visits, it is difficult to assess the exact speed at which boning is taking place, but it is clear that the pace is well below that of a fully commercial operation. It should also be noted that, again, there is no factor incentivising higher paced working for staff.

Two staff, of those observed, show high skill levels, but the skill levels of the majority of those boning beef and lamb are not as high as they need to be, meaning that boning cannot take place at the necessary pace.

Despite the lower experience and skill levels, the boning is being conducted to a reasonable standard, with the meat being cleaned off the bones and a relatively small amount of product being wasted.

- 1) Overall boning yields are acceptable, but some higher value material is being trimmed off. Better training could address this
- 2) The yielding figures which are produced from the boning hall back up our observation that the overall meat yield is acceptable, but they do also reveal that there is the potential to improve the yield of higher value cuts through the use of more accurate cut lines. More skilled operatives would be able to increase the proportion of higher yielding cuts such as sirloin and fillet, potentially adding another £50-70,000 annually to plant revenue. Achieving this would involve the creation of clear boning specifications and guidance cards, the extensive training of key staff, and clear oversight by a Boning Hall Manager
- 3) The boning hall needs a weigh scale on entrance to weigh-in carcass or carcass components.
 - a. Boning, trimming and presentation of the product in general was of a good standard
 - b. Product was being vac-packed and boxed in branded materials, whereas most product is going for wholesale as opposed to a specific customer where branding would be accepted and paid for

10.3. Red Offal facilities

The red offal processing facilities were inspected and the procedures which were in place were deemed to be of a high standard. The quality of processing was excellent, and the preparation and presentation of the product was good. The operative was trimming skirts, liver, kidneys, hearts and tongues to a very good standard.

We were told that the product was going to a dog food factory, and it is possible that the product was being over-prepared. The product was processed to a standard which would meet human consumption standards. If this could be achieved, the product could potentially be sold at a higher price point.

It may be worth exploring the potential for sale of offal for human consumption. This may not be possible and is certainly not as large a priority as many of the other factors identified during this audit, but it is something which could potentially add revenue.

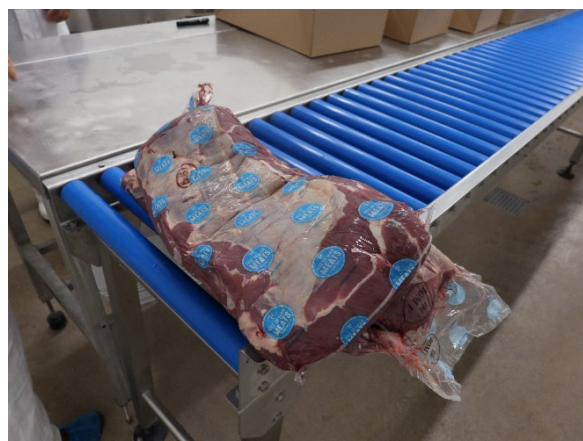
The following photographs show the high standard of preparation being undertaken on the red offal.



10.4. Packaging of Primal Product

During our audit we observed product packaging. We noted that the vacuum packing was being carried out to a very high standard. The product is well packed and presented, and is likely to present well to the customer.

Product for export off the island was being packaged in branded wax boxes. These boxes are extremely well presented and attractively branded and again will be well received by the customer. However it should be noted that they are higher cost (about £ 1 per box more) than unbranded boxes, and would normally be targeted at premium markets. Currently, with the exception of on-island sales, the meat is not being sold at premium rates, so we would question the use of the branded boxes at present. If higher value sales could be obtained, the branded boxes may in fact be useful.



10.5. Added Value Processing

The factory has recently developed a mince line for supply of mince to prestigious customers on the island. We examined mince production during our factory visits and have concerns over the pace of operation.

Operating speed and volumes

We estimate that the mince line is operating at about 2-3 packs per minute, well below that of more commercial factories which would fill, pack and label product at a rate of about 25 packs per minute. We recognise that this is not possible with the current facilities, but it does explain why the mince lines have a high labour cost per kg.

We would question the true financial viability of the mince programme. In our experience, profitability of mince lines is heavily influenced by the volume of product which is produced, and is dependent on minimising input and labour costs. Isle of Man Meats is producing approximately 500kg of mince per week. By way of comparison a large commercial factory would produce the same volume of mince on one line in 40 minutes.

11. Livestock intake

11.1. Findings

11.1.1. Lairage design and operation

During our visits to the factory, there were relatively few concerns around the process of livestock intake. The lairage unloading ramps are good, the lairage is well structured and the staff were able to handle the animals appropriately. The lairage has been built with animal welfare in mind, with curved races, absence of sharp objects, well bedded pens and unobstructed passageways. The facilities also have escape areas for staff who are involved in handling the animals.

Three main operational challenges were identified in the lairage

- 1) The operation of the final section of the cattle crush prior to entry into the actual kill race is challenging to operate, although with the low numbers of cattle being processed, it is manageable
- 2) The lairage is not easy to clean out, with significant amounts of manual handling. This is mainly as a result of the relatively narrow passageways which prevent the use of machinery such as a skid steer loader
- 3) The two-stage sheep elevators are not ideal. Both elevators work well, but the transfer from elevator 1 to elevator 2 is problematic, requiring more oversight than is ideal
- 4) If livestock were only accepted on the day of slaughter this could remove the need for bedding, reducing costs to the factory

None of the problems are particularly serious, but they do present challenges in operation and use more staff time than they should.

11.1.2. Booking in and pricing stock

The general procedures for booking in stock are appropriate to the factory, and in line with general operational procedures for other abattoirs. Although an online procurement system exists, in reality we're told by the Procurement Team that it doesn't normally function particularly well, so essentially farmers phone the procurement team, who book livestock in by class of stock. Number and type of stock are taken into account and the stock are booked in for specific kill dates. The waiting times vary throughout the year, but are currently unacceptably long.

Discussions with the procurement team and with multiple farmers across two visits revealed that there is a very significant challenge around the booking in of stock. At present, the waiting list for stock to be slaughtered stands at approximately seven weeks. In a normal commercial abattoir, a two week waiting list is considered to be unacceptable.

We believe that there are a number of reasons for the length of this waiting list:

- 1) A decision to minimise the number of stock killed to reduce losses
- 2) The decision to skip one week's kill in September this year
- 3) The fact that farmers are aware of long waiting lists and so consequently book animals in further ahead

We met with multiple farmers, many of whom used the services of the abattoir, and some expressed the opinion that some farmers received preferential treatment and were able to book stock in more easily than other people. While this is acceptable standard practice for the most important suppliers in meat plants across the UK and Ireland, Isle of Man Meats may need to consider how this perception could be addressed, perhaps through time-stamped applications via an online booking system that works reliably.

11.1.3. Quality of Cattle

We were impressed with the quality of cattle being procured by the plant, and our impressions are backed up by the annual grade sheets produced by the factory. The prime cattle which are slaughtered are well conformed, not too fat and average a slaughter weight of 310 kg.



The above photograph shows some of the cattle observed during the visits. They are well conformed and well finished. The following table shows the grade distribution for the prime cattle slaughtered between the start of April 2021-March 2022. The distribution of grades is excellent and compares very favourably to the distribution seen in many other factories across the UK and Ireland. The high proportion of suckler-bred beef on the Isle of Man means that the conformation of the animals is, on average, better than would be seen in an area with a high proportion of dairy stock. It is also clear from the following table that Isle of Man farmers are finishing animals to a good standard and are not getting animals into an over-fat state. The average carcass weight is 310kg, lower than many other plants, and meaning that the carcasses are ideal for many of the markets in the UK.

	CATTLE NUMBERS							
	1	2	3	4L	4M	4H	5L	5H
E		8	4	1				
U+	2	17	44	15				
-U	7	82	338	162		12	1	
R	8	159	1,064	757		53	5	
O+	3	73	540	344		23	2	1
-O		19	155	75		9		
P+	4	3	14	3				
-P	1							
	25	361	2,159	1,357	0	97	8	1

This means that the product should be able to be marketed well, as the product should be appealing to customers and should meet their ideal specifications. Our discussions with potential sellers revealed the fact that they thought that the beef would be suitable for their premium lines, and we concur with this view due to the quality of the stock which is being slaughtered.

11.1.4. Quality of Lamb

The lambs being brought into the factory were also of good quality, but broadly equivalent to what the majority of other abattoirs would be slaughtering in the UK and Ireland. Average carcass weight is 19.5kg. The current lead time for lambs to be booked into the factory for slaughter is around three weeks, again quite high but manageable if sheep farmers are aware of the delay and can book the animals into the factory three weeks ahead.



The following table shows the distribution of lamb grades which are purchased throughout the year. A total of 33,578 lambs were purchased in the April 2021 to March 2022 period.

Lamb Numbers												
	1	2	3	3L	3H	4L	4M	4H	5	5L	5H	
E	3	165	0	2,281	394	70	0	30	21	0	0	2,964
U	26	1,144	0	8,491	1,874	273	0	109	71	0	0	11,988
U+	0	0	0	0	0	0	0	0	0	0	0	0
-U	0	0	0	0	0	0	0	0	0	0	0	0
R	125	2,347	0	9,193	1,741	291	0	64	25	0	0	13,786
O	180	1,596	0	2,336	198	26	0	6	0	0	0	4,342
O+	0	0	0	0	0	0	0	0	0	0	0	0
-O	0	0	0	0	0	0	0	0	0	0	0	0
P	210	208	0	13	0	0	0	0	0	0	0	431
P+	0	0	0	0	0	0	0	0	0	0	0	0
-P	66	1	0	0	0	0	0	0	0	0	0	67
	610	5,461	0	22,314	4,207	660	0	209		0	0	33,578

Most lambs are being sold in carcass form and this means that they are more of a commodity product than would otherwise be the case. Again, our sales contacts felt that it was easier to attract good prices for well-packed primals than for whole carcasses. But, as covered elsewhere in this report, the boning costs for IOM meat are high and ultimately the skill levels of the boning hall employees would need to rise very substantially and the speed of operation would need to at least double before this became a viable proposition. There is, however, a definite need for the boning of lamb on the island, but it does need to be well managed.

11.1.5. Pig Slaughter

Pig slaughter is a very small amount of Isle of Man Meats' overall operation, Approximately 20-30 pigs are slaughtered per week, from one farm on the island. There is no question that the pig slaughter provides a service for farmers on the island, but it is also unquestionably a service which costs the factory rather than pays it. Pig slaughter is more complicated than for beef or lamb due to the need to remove hairs from the pig carcass. This hair removal means that a hot water tank is needed to soften the hairs prior to removal. There is a significant cost to heating this tank for a very small number of pigs. Our observation of pork slaughter showed that it was conducted well, but again, very slowly.

11.2. Comments on procurement

- 1) **The Procurement Manager is capable, and has the ability to work within a senior team to develop procurement in line with a sales plan.**
- 2) **The long waiting lists to book stock for slaughter should be addressed. This will require the following:**
 - a. Increased kill levels for a period of time
 - b. Increased focus on sales and marketing of the additional product.
 - c. Marketing of the stock as either carcass sides or quarters in the short term to clear the backlog, unless a large amount of boning can be delivered (which we do not believe to be possible at present).
- 3) **Investigate and repair the problems with the online booking system enable timestamping of online booking in of stock**
 - a. The online booking system should enable farmers to book in stock using time-stamped software. This will raise confidence levels for some of the farmers who are negative about the service provided by Isle of Man Meats.
- 4) **Pricing of stock should usually continue to be carried out by the Procurement Team.**
 - a. Where the procurement team book in their own stock, or stock belonging to relatives, pricing should be carried out by the Plant Manager
 - b. No suggestion of any malpractice regarding pricing has been found during the audit. This is simply a good practice recommendation
- 5) **Toothling of lambs should usually continue to be carried out by the Procurement Team**
 - a. However, where the procurement team book in their own stock, or stock belonging to relatives, toothling should be carried out by the Plant Manager or another independent person
 - b. No evidence of any malpractice regarding toothling has been found during the audit. This is simply a good practice recommendation
- 6) **The plant must procure stock reliably and, over time, attempt to increase the kill**
 - a. The plant must provide a service to farmers on the island. This service must be reliable and trustworthy
 - b. The plant must work with farmers to meet the needs of customers, ideally building on-island supply of cattle and sheep and increasing plant throughput
 - c. This increase in procurement must be carried out in conjunction with effective sales planning and development

12. Financial and Control Procedures

During the audit process, time was spent reviewing the financial records with focus primarily on the reporting and accessibility to key information. Whilst basic plant figures are being recorded to a high standard, there is a severe lack of information which is necessary to effectively manage the plant. We attribute this to either a lack of knowledge at Senior Management Level, or an unwillingness to implement the necessary systems, checks and balances.

12.1. Concerns

As part of the factory audit, financial and management controls were identified. Our concerns are listed below:

12.1.1. Absence of critical report production

The factory does **not produce weekly management accounts**. This means that weekly financial performance is not known and therefore the factory cannot respond in a timely manner to anomalies or potential critical issues such as unexplainable stock variances.

Expected prices and margins on the different product ranges are not known. Stock values are not reviewed with all finished stock being valued at the average livestock deadweight input price e.g. a complete finished Striploin is valued at the same price as flank or 70VL trim. Market prices are therefore not analysed and this adds to the confusion around the price that should be achieved for each individual product.

There appears to be no analysis of each stage of the production process e.g. no moisture loss records appear for hung beef, no input vs output analysis is available on butchered product, no production time analysis or reporting.

12.1.2. Absence of measurement procedures

The factory does not undertake a daily or weekly mass balance. The primary reason given for this is the length of time taken to deliver it. However, with correct measurement and entry of a specific range of data in the plant on a daily basis, the HCS system could be altered to automatically produce a daily report.

The factory does not undertake **weekly stock-takes**, meaning that there is a limited understanding of the product which is held in the plant. Additionally, without this information weekly management accounts cannot be produced.

There are no readily available **complete key analytical yielding reports**. Those that are produced give some indication of performance but are not detailed enough to provide the full amount of information needed e.g. the full list of items produced in the factory from animal intake are not listed on the report or the report only lists the complete yielding for one animal i.e. it is not collated for the full production.

In reality, the flow of the factory, if managed correctly, lends itself perfectly to **daily** mass balances and timely accurate yield information. Product is moved from the main holding chills into a WIP (Work in progress) chill prior to entering boning. Product could easily be weighed and scanned into the boning hall, thus automatically recording the inputs for the day. All products boned / butchered subsequently process along the conveyor to be weighed and final packed thus providing the outputs for the day. Full yield analysis should be readily available to management.

The following diagram shows the layout of the facilities and flow of product.

Currently the only concrete price comparisons for sales of product in Great Britain are internal year on year (YOY) comparisons (last year versus this). This is a valid comparison, but is not enough to give an indication if the product is being sold effectively.

The absence of a contracted sales person who oversees on and off-island sales has created conditions where the [REDACTED] Manager, who is responsible for overseeing operational performance, is also theoretically responsible for sales, and this is not within his skillset.

Essentially, at present, sales is not a primary function of the plant and is primarily responsible for the poor economic performance of the plant.

12.1.4. Absence of Report production and analysis

We noted that there is no individual within Isle of Man Meats who interacts regularly with HCS (factory control and reporting software) and there is no dedicated internal IT function within the business. Considering the size of the business, this is acceptable, but there should be a comprehensive contract in place with an external IT provider to ensure that the factory has access to the necessary skillset required to deliver and service the critical IT functionality needed to run a successful production plant.

The absence of this IT function means that the bespoke reports have not been produced within the HCS system and are not run on a regular basis leading to a management team without access to critical information.

In addition to the lack of essential IT skills, there is no-one responsible for factory floor analysis which again highlights the failure of management to dedicate key responsibilities to capable and trained staff.

12.1.5. Management and control of sales processes

During our audit, we noted that only manual processes are in place to manage sales orders, pricing and dispatch, with no segregation of duties. Sales orders and pricing are delivered by the same person who also organises distribution. This means that there are inadequate controls in place to avoid potential manipulation of sales pricing for on-island sales.

It must be emphasised that we do not believe there is any abuse this area, but good practice should ensure that opportunities for potential manipulation should be removed wherever possible.

The systems currently employed within the company are more than capable of handling structured, controlled and unambiguous pricing and this functionality should be deployed alongside the changes needed around product costings and price identification.

12.1.6. Production IT security

During our audit it was noted that there is virtually no security in place on computers managing the production process. Passwords are widely shared and there is ready access for multiple staff who could potentially alter production records.

Again, as with the sales pricing, we did not witness any occurrences of abuse / tampering during our visits but it is essential that robust security and roles exist around access to factory systems.

12.2. Comments on Finance and Management Procedures

We are highly concerned by the lack of in-plant measurement which is occurring. The plant cannot be effectively managed on the information which is available. The necessary management reports have not been put in place, and no direction has been given by the [REDACTED] Manager to rectify this.

We are very perturbed by the apparent lack of central costing and pricing, which makes the monitoring and identification of company performance extremely difficult and time consuming. This is exacerbated by the lack of governance and controls which are currently in place around order taking, pricing and despatch. Division of functions needs to be implemented in the plant.

We are aware of the time challenge behind the establishment of good practice, and that its implementation will, to some degree initially be disruptive. However, in our opinion, a professional manager should be demanding this high level of detail to enable them to manage the plant effectively.

From our discussions we believe that the [REDACTED] is competent and will be able to deliver against the needs of the business. However, from the lack of analytical reports and information, it is also clear that the [REDACTED] Manager has little understanding of the level of information which is needed, and as a result, they have not requested this. In addition, where knowledge appears to be lacking e.g. around the product costings, they have not put processes and training in place to enable the relevant personnel to gain the knowledge they require to provide the information which is needed.

In our opinion the lack of management information produced and used is a serious failure of management by the [REDACTED] Manager. It is a highly significant component of the plant's failure to improve and the worsening financial position of the business.

13. Health and Safety Review

Although Isle of Man Meats has routinely passed its BRC audit, there are a litany of Health and Safety concerns on-site which would only be investigated if a serious accident was to occur. This situation has developed over the course of years as a direct result of the senior management in the plant not prioritising and managing site safety correctly. This particular issue was picked up by the 2022 RSA Insurance audit, but hasn't been actioned, even when there was an opportunity to remedy the situation when hiring for a [REDACTED] Manager.

It's important to note that although Isle of Man Meats is located on the Isle of Man both their insurers and necessary accreditations are UK based, and therefore Health and Safety must be in line with UK regulations. Consequently, the Health and Safety review was conducted to those standards.

13.1. Regulation Breaches

A range of regulation breaches were identified and are listed below, and expanded upon later in this chapter.

- 1) Abrasive Wheels HSG18 Guidance
- 2) Control of Asbestos Regulations 2012
- 3) Corporate Manslaughter and Corporate Homicide Act 2007
- 4) Display Screen Equipment Regulations 1992
- 5) Health and Safety (First Aid) Regulations 1981
- 6) Health and Safety at Work Act 1974
- 7) Lifting Operations and Lifting Equipment Regulations 1998
- 8) Noise at Work Regulations 2005
- 9) Provision and Use of Work Equipment Regulations (PUWER) 1998
- 10) Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013
- 11) The Electricity at Work Regulations 1989 (New Addition HSR25)
- 12) The Management of Health and Safety at Work Regulations 1999 (MHSWR)
- 13) Working at Height (WAH) Regulations 2005
- 14) Workplace Health, Safety and Welfare Regulations 1992
- 15) Control of Vibrations at Work Regulations 2005

13.2. BRC Audit

A BRC Audit is the British Retail Consortium's official assessment of a food manufacturer's adherence to the BRC Global Standard for Food Safety. To complete an audit successfully takes a multi-disciplinary team of HACCP accredited managers led by Senior Management.

The first issue with this team is that two of the main contributors, the [REDACTED] and [REDACTED] Managers lack HACCP training. When working in these types of roles, it is important to understand the inherent issues involved with the production of food and without the proper training this is extremely challenging.

13.3. Engineering & Maintenance

For a plant to run as efficiently as possible, it is important that the engineering department has the necessary skills to effectively maintain the equipment to limit down-time, especially on production days. Generally, for this role staff will have completed a range of training during a 5 or 6 year apprenticeship giving them both electrical and mechanical experience.

The current engineering & maintenance staff:

- Have no mechanical or electrical qualifications such as 16th edition wiring etc.

Have had no training given on hot work (welding etc.)

- [REDACTED]
- Have had no training on "lock-out tag-out" system (ensuring machines are safely closed off and disconnected before work begins) [REDACTED]

13.3.1. Irregular Conduct

The Senior Manager has admitted that when the computers break in the plant, rather than using the external company contracted and paid for this work, he uses an unqualified member of staff.

This could be a potential breach of GDPR as this member of staff should not be given access to Isle of Man Meats internal servers.

13.3.2. Reliance on outside contractors

Because the current engineering staff don't have the proper qualifications, there is a reliance on outside contractors to complete works for specialised work such as anything Electrical. Over the past few years the amount spent on these works has varied, with costings listed below

Year	Total Costs
2018	£80,088.16
2019	£118,641.12
2020	£45,664.58
2021	£17,243.50

13.4. Site Security

Numerous issues were identified with the security of the Isle of Man Meats site. The fact that the audit team were able to walk through the gate alongside staff and gained access to the offices without being challenged should be alarming.

13.4.1. Access Gate

The Audit team witnessed the factory access gate being left open for long periods of time during working hours which, as well as being a security concern is a HACCP breach. When asked about the reasons for this, staff volunteered that when it is wet or windy there are issues with the gates due to the sensors, and therefore they are usually left up. The photo below taken by a member of the audit team on Tuesday 4th October 2022 at 12:04 clearly shows the gate having been left up.



13.4.2. Intruder Alarm

In their 2018 report, RSA Insurance recommended that an intruder alarm be installed on site. This [REDACTED]. Management admitted that in the past a drunk person gained access to the site on a weekend, which was only picked up when someone unrelated to Isle of Man Meats happened to be passing and knew who to call. Unless the CCTV cameras are checked every weekend, it is hard to know how many of these types of breaches have happened in the past, and certainly an intruder alarm would ensure the site was much more secure.

13.4.3. Key Holder Policy

There is currently no policy for keyholders. This policy should outline responsibilities for keyholders such as unlocking and locking the premises and any security procedures which must be adhered to. This is important because it sets boundaries for Key Holders such as when they can access the site off-hours.

It is also concerning a member of [REDACTED] openly boasts that they have access to all areas of the plant at all times and keys to everywhere.

13.4.4. Lone Working

Lone working falls under The Management of Health and Safety at Work Regulations 1999 and states that an employer is responsible for managing risks of anyone working alone and must put in place plans to manage any health and safety risks identified.

Although it was openly admitted by the [REDACTED] Manager that a member of the Engineering department is routinely being allowed to work alone in the workshop at weekends which has been cleared by a member of the Board of

Directors, and we have been informed other instances of staff working alone there is no evidence of any risk assessment or appropriate controls in place which puts further liability on Isle of Man Meats in breach of legislations.

13.4.5. Computer Hacking

It came to the attention of the audit team that there has been some infiltration by hackers to the Isle of Man Meats servers, with one report being forwarded to the audit team from 2018. In this instance the hacker had gained access via an Engineering computer login and locked staff out of the HCS system.

This was rectified by IT specialists from HCS Remora Ltd who removed a bot and was able to restore access via a backup. Their report didn't highlight, however, any mitigation options to help guard against further breaches.

13.5. Protecting Isle of Man Meats against claims

In order to protect Isle of Man Meats against claims from employees, there are a number of mitigations which should be in place, which are either in place and inadequate to the company's needs or are missing altogether.

13.5.1. Pre-employment medical check

Although there is a pre-employment medical check in place for Isle of Man Meats, this only complies with food hygiene legislation and does not account for other factors which can be claimed against at a later date.

This includes checks which will create a baseline for hearing, lung function etc, which would allow the company to prove a pre-existing deficiency which may be claimed for in the future. This is also linked with the lack of a noise survey, which would be another essential piece of evidence should the company in the future have claims for this.

13.5.2. Occupational Health Contract

An Occupational Health Contract puts in place annual health checks for all staff, and is related to the lack of proper pre-employment medical checks outlined above. This further protects the company from litigation as it will show any decline taking place year-on-year allowing measures to be put in place as and when needed. This is not in place.

13.5.3. Contractor Management

In order to protect Isle of Man Meats from contractor claims, certain procedures should be carried out both before, and while the contractor is on place. There is currently no contractor management on site. As a minimum we would expect:

- Insurance checks conducted before the contractor comes on site to ensure everything is up-to-date
- Checks carried out to ensure contractors methods are compatible with what is required by Isle of Man Meats
- Contractors signed-in and signed-out by a member of staff

13.5.4. Alcohol & drugs policy

As mentioned in a previous chapter, there is a comprehensive alcohol & drugs policy covering Isle of Man Meats, which according to the personnel records is not being enforced, leaving the company up to further litigation should an inebriated member of staff have an accident.

13.5.5. RIDDOR Breaches & Failures in Accident Reporting

RIDDOR stands for Reporting of Injuries, Diseases and Dangerous Occurrences.

Although accident records are being kept, both in employee files and within the accident book, it has become apparent that not all accidents are being recorded, with every entry in the accident book after 05/05/21 recorded inadequately as either 'Accidental' or 'Purely Accidental'.

No training has been provided on RIDDOR regulations, with no procedure in place for reporting under the regulations.

13.6. Contingency Planning

The team found no evidence of any contingency plan in place should the factory suffer long-term shutdown due to fire or other disaster.

13.7. Insurance Audits

Audits conducted by company insurers RSA have previously identified issues which require action, and as yet have not been completed.

- 2022 Report stated company should have access to competent Health & Safety advice for the site, yet this was not advertised as part of the [REDACTED] Manager's role. On interview it was evident that the [REDACTED] Manager has little or no experience of Health & Safety, and no experience in the operations of a Meat Plant.
- 2018 Report recommended adding an intruder alarm, which wasn't done

13.8. Protecting Staff

Although efforts have been made to ensure initial training is in place to help protect staff over the long-term, once training is given little thought has gone in to how best to utilise it.

13.8.1. First Aid

Legislation requires 1 first aider for every 50 staff. With 3 trained first aiders and a staff of 49 this is easily achievable. However we have found no evidence of risk assessment for first aiders, nor of any collaboration to ensure that first aiders are present in the factory when other team members are on holiday, or are absent for another reason.

13.8.2. Mental Health

We commend the plant for putting 3 members of staff through training for Mental Health First Aid. This is forward thinking, however there is no evidence of this having been taken any further forward, such as through staff engagement etc.

13.9. Fire Risks

Current fire management is not effective and doesn't appear to have been updated in quite a number of years. The current fire evacuation plan on file offers 8 names as trained fire marshals who will check the areas, they are responsible for. However, 3 of these fire marshals have since left the company with no replacement named on the plan for the Main Offices, Offal Area or Upstairs Floor.

In addition, the last thermographic survey was conducted in 2016. A thermographic survey is a visual investigation, carried out by a qualified engineer, to detect abnormally high temperatures within an electrical installation. A higher than normal temperature indicates a problem within a system that could have serious consequences if allowed to escalate and should be updated every year.

There are also a number of pallets on site, and although this is to be expected in a facility of this type, it adds to the fire load, and poses a risk.

13.10. Missing Policies/Plans/Regulation Breaches

Throughout our investigations numerous policies and plans which should be in place were not available. These plans should be in place not only to protect workers, but to protect Isle of Man Meats from possible expensive litigation in the future. The identified policies are as follows:

- Noise at Work Regulations 2005
 - No noise survey in the plant, therefore Isle of Man Meats have no knowledge whether or not noise thresholds are being breached. This is essential to both protect workers' hearing, but to help protect Isle of Man Meats from possible claims from workers or contractors over hearing loss

- Control of Asbestos Regulations 2012 – approved code of practice and guidance
 - Isle of Man Meats has no asbestos survey in place to identify whether asbestos is present or not. Due diligence requirements are consequently not met
 - As a result, when contractors come on site they are unaware of the presence of asbestos and if it was present, it could be disturbed during any work
 - It is important to have on file to prove exactly what, if any asbestos is present on site and will help to protect Isle of Man Meats from possible claims from workers or contractors
- Lifting Operations and Lifting Equipment Regulations 1998
 - Under this regulation, Isle of Man Meats should inspect all lifting equipment every 12 months and accessories for lifting every 6 months
 - Isle of Man Meats has been working in breach of this regulation for 5 months as inspections were out of date and only carried out on the Friday previous to our visit
- The Electricity at Work Regulations 1989 (New addition HSR25)
 - No “Lock-out Tag-out” system in place
 - No training in place on Electricity at Work Regulations
 - Lack of training and understanding from the Engineering team on the regulations
- Dangerous Substances and Explosive Atmospheres Regulations (DSEAR) Assessment
 - Dangerous Substances and Explosive Atmospheres Regulations 2002 (DSEAR) DSEAR requires employers to assess the risks of fires and explosions that may be caused by dangerous substances in the workplace. From June 2015 DSEAR also covers the risk caused by gases under pressure and substances that are corrosive to metals.
- No Department risk assessments are in place
- Display Screen Equipment Regulations 1992
 - This regulation, which Isle of Man Meats is in breach of requires the employer to protect users health
 - No DSE (Display Screen Equipment) assessment in place
 - Isle of Man Meats is responsible for deterioration in eyesight if employees are using screens for longer than 8 hours
 - Risk assessment should be carried out on all screens
 - Eye tests should be carried out yearly as the company is responsible for supplying glasses to correct eyesight if deemed necessary
- Abrasive Wheels HSG17 Guidance
 - Abrasive Wheels are regulated by the Provision and Use of Work Equipment Regulations act 1998 (PUWER) and HSG17 Guidance. The regulations aim to keep people safe at work whilst using machines and equipment.
 - Abrasive Wheels training is a legal requirement for anyone operating this equipment in the workplace. Abrasive Wheels are extremely dangerous and the only way to reduce risk is through theoretical and practical training in operating the machinery
 - Isle of Man Meats are in breach of this legislation, with the equipment in the maintenance, guards, portable/hand held grinders and general safety practices are not meeting standard requirements.
- Ammonia on site
 - Emergency plan for ammonia or fire
 - In the event of an ammonia release, plans should be in place for safe evacuation of the plant and contact to emergency services. Different plans should be in place for wind direction etc.
 - Maintenance staff are not adequately trained in ammonia measures
 - No environmental impact study for ammonia release has been carried out
- Maintenance LOLER (Lifting Operations and Lifting Equipment Regulations) inspections are out of date
 - This is a serious breach of legislation over a five-month period
 - Vulcan Inspection reports due April 2022 was only completed on the Friday prior to audit (which took place in early October).

- Working at Height (WAH) Regulations 2005
 - Employers and those who conduct work at height activity must ensure work is properly planned, supervised and carried out by competent people
 - No WAH register on site
 - No risk assessments in place
 - No understanding of the legislation at site
 - No WAH training for employees
 - No checks on contractors compliance or RAMS (Risk assessments and Method Statements)
- Control of Vibrations at Work Regulations 2005
 - Guide INDG175 places duties on employers to risk assess work activities on tools and machinery, look at exposure action values and exposure limits
 - No risk assessments currently in place
 - No Health surveillance
 - No training for employees
- Health & Safety at Work Act 1974
 - Health and Safety meetings should be held to discharge employers duties under this legislation
 - Health and Safety management systems should be in place with clearly defined responsibilities and leaderships
 - [REDACTED]
- Workplace Health, Safety and Welfare Regulations 1992
 - The Employer is responsible for a safe place to work
 - Although the building is in good repair there was no building checklist available
 - There are no weekly emergency lighting checks being carried out
 - No traffic risk assessment to show safe passage for pedestrians and vehicles
 - No spill kit training or spill procedures
- Provision and Use of Work Equipment Regulations 1998 (PUWER)
 - This places duties on people and companies who own, operate or have control over work equipment. It also places responsibilities on businesses and organisations
 - No training or knowledge of PUWER regulations at site
 - No PUWER risk assessments in place

[REDACTED]

13.11. GDPR Breaches

Although several people including the [REDACTED] Managers have been trained in GDPR, there are still some breaches in GDPR within the plant relating to CCTV on site.

There is currently no CCTV policy on file, with no signs evident on site so people know cameras are present. When asked about access to CCTV video, it became apparent that the viewing point is accessible to all staff even though the [REDACTED] Managers should only have access.

13.12. Chemicals & Substances

As part of the works on the site, there are chemicals and substances present on site which come under Control of Substances Hazardous to Health (COSHH) regulations. These are currently being breached in Isle of Man Meats. The Audit team were unable to obtain any datasheets from maintenance, records of either the occupational exposure limit or the max exposure limit. Chemicals are held on site without bunding and there is no evidence of accident, exposure or storage management.

- Chemicals and Substances
 - Failure to follow COSHH regulations
 - No datasheets from maintenance
 - No record of OEL or Max Exposure Limits
 - Not linked to management
 - Accident
 - Exposure
 - Storage
 - No bunding of chemicals

13.13. Company Vehicles

Our investigations have uncovered some serious concerns about how the vehicles on site are operated by Isle of Man Meats.

13.13.1. Vehicle Policy

There is currently no vehicle policy in place and little due diligence to protect the company for liability with no proper license checks in place to ensure drivers licenses are valid, and that there is no system for notification of points being added to licenses.

13.13.2. Security of Keys on site

Vehicle keys are kept in two locations – general vehicles in the [REDACTED] with retail vehicles in the [REDACTED]

13.13.3. Vehicle Servicing

Currently Isle of Man Meats pays a company on the island for the servicing of all company vehicles. There is no accountability from within the business to take proper note of servicing, new parts, tax etc. and invoices are being paid without proper scrutiny.

13.14. Ongoing ground drainage issues

The 2018 RSA Insurance Report noted problems with the drainage in the plant. On 22/07/21 a drain survey was conducted by a local company to investigate the termination points and possible cross contamination of the storm drains to the Isle of Man Meat Plant. The report concluded that material from the plant had found its way into the ACO channels (CO Drainage, Channel Drainage or Linear Drainage is a method of draining surface water from hard surfaces such as tarmac or paving, using a long narrow drain covered by a grating which drains water along its entire length) at the front of the building, which subsequently made its way into the storm system and to the river. The catch pit was found to be full of debris.

The report recommended that Isle of Man Meats carry out jetting to the ACO channels and associated lines to the catch pit. Debris was to be removed from the catch pit to help prevent debris from the main yard getting into the storm system and onto the river outlet

Over a year later and no work has been carried out to resolve the issue. The Senior Manager informed the Audit Team that the issue has been passed onto the Department of Infrastructure who are the landlords of the Isle of Man Meats site as it was intimated by a member of staff at DOI that they would contribute to the correction works as there was agreement that the drains weren't fit for purpose. The Senior Manager also stated that at this stage, no lease has been signed. This is an environmental issue, which must be rectified as soon as possible.

13.15. Comments on Legislative Compliance

The above paragraphs speak for themselves. There are multiple failure areas across the plant, some of which are very serious. We are particularly concerned around the [REDACTED] challenges, and the potential for liability to the plant across a range of areas.

It is clear that the factory culture is not focused on compliance. Much of the above legislative requirements are essentially 'licences to trade', and failure is not an option.

Many of the failings identified are extremely serious and reflect very badly on the Plant Management who are ultimately responsible for ensuring that policies and procedures are in place so that staff are safe at work and that the food which is produced is safe for consumers.

[REDACTED] From discussions within the factory it appears that those involved in compliance are not always respected and many of their views have been ignored. This cannot continue.

14. Sales Review

Successful businesses tend to be sales led. Without a focus on development of appropriate sales outlets, in combination with high levels of customer service, businesses will fail. Isle of Man Meats does not display either of these characteristics, and this is reflected in the financial performance of the business.

As part of our audit we have identified the driving of product sales value as the single most important factor demanding immediate attention. The tables later in this section compares the prices received by Isle of Man Meats for off-island sales from March 2021-2022 to those from other commercial sources. The tables show that the prices received for product [REDACTED] were substantially lower than would have been expected, and we estimate that this could have cost the business between £1.4 million and £2.1 million annually in beef sales alone. When sheep sales are also considered, the potential losses grow, although we acknowledge that the potential for growing the sales value of lambs is much lower than that for beef.

We note the absence of a job role which is specifically focused on sales, and believe that this is undermining any potential for competitive selling. Off-island sales are essentially devolved completely to another organisation, and on-island sales do not appear to be specifically targeted.

We also note that the absence of a sales manager/account manager means that the factory's responsiveness to existing and potential customers is not as good as it could be, and we have had quite negative feedback from one of the largest potential customers, along with less than positive feedback from some of the smaller customers.

We have also received feedback on quality of supply, with some positive comments and other less complimentary feedback showing failures which could be addressed through improved training and supervision.

14.1. On-Island Sales

The following table outlines the most significant customers which are based on the Isle of Man. This table is important because it gives an indication of the importance of the top eight customers. We had contact with a range of these customers and received mixed feedback on customer services from Isle of Man Meats .

We had a very in-depth interview with a representative from a local customer, and they were clear that they expected much better service, outlining challenges around quality of product supplied, challenges around ordering product and major challenges around account management and contact with the factory. This was concerning at the time, but is brought into sharp relief when the importance of this customer is recognised. They were clear that they would be able to market much more product if it were available.

Company Name	Total Sales	% of Sales
[REDACTED]	£ [REDACTED]	8%
[REDACTED]	£ [REDACTED]	5%
[REDACTED]	£ [REDACTED]	3%
[REDACTED]	£ [REDACTED]	3%
[REDACTED]	£ [REDACTED]	3%
[REDACTED]	£ [REDACTED]	2%
[REDACTED]	£ [REDACTED]	1%
[REDACTED]	£ [REDACTED]	1%
[REDACTED]	£ [REDACTED]	1%

████████████████████	£ ██████	1%
██████████	£ ██████	1%
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██████████████████	£ ██████	0%
██████████████	£ ██████	0%
██████████	£ ██████	0%
██████████	£ ██████	0%
██████████	£ ██████	0%
		33%

The factory supplies approximately 30% of its product to other companies on the Island. The factory can sell to any organisation, but is not allowed to sell to the public.

The prices being received by Isle of Man Meats on the island are relatively close to the level that would be expected in the UK. This suggests that the development of Island sales would be of benefit to the plant, but there does not seem to be the willingness to do this. We were clearly told during our visits that on-island sales are not actively pursued and that, in general, a passive ‘order taking’ approach was in place, and meat is supplied when someone phones in for it.

Increasing on-island sales could potentially involve reorganisation of in-factory process, but the development of long-term supply partnerships is something which must be considered.

14.1.1. Mince Line

Throughout the audit, the mince line has been brought up several times as a concern. ██████████, the team used what data we had available to reconstruct a price per kilo after costs had been taken into account. To demonstrate this commercially, we used the invoices from one of the mince line’s biggest customers, ██████ from March 2021 – April 2022.

Using the mince reporting figures from December 2021 we determined that, on average the price to produce and pack mince is around £ [REDACTED] /kg (without transportation). When applied to the prices charged to [REDACTED] for the finished product, we found the following

Product	Sales Price /kg	Actual profit/loss /kg
Manx Minced Beef 300g	£ [REDACTED]	£0.92
Manx Minced Beef 500g	£ [REDACTED]	-£0.69
Manx Minced Beef 750g	£ [REDACTED]	-£0.74

From our analysis, as you can see two of the lines, at the current rates charged are making a net loss. When applied to Isle of Man Meat's [REDACTED] calculations, the figures show that, in contrast to the claimed profit for mince of £58,390.10, it produces a loss of £6,300.22

Tesco Mince Sales 2021 - 2022	
Invoiced Amount	£ 58,390.10
Cost of Sales	-£ 6,300.22
[REDACTED] Total Sales	£ 135,182.00
Adjusted Total	£ 75,491.68

14.1.2. Customer interaction

As part of the Audit, the team took time to speak to representatives from a local customer who didn't wish to be named, who outlined their absolute passion for Manx meat, their belief that there is a market for it on the island and their willingness to work with the meat plant to further develop their range. However, over the last 4 years they also outlined their frustration with many aspects of the operation of the plant.

Communication

During our first visit to the plant during an interview with the [REDACTED] Manager, the audit team asked about how on-island sales were conducted. It was explained that the [REDACTED] Manager is also in charge of on-island sales, but in reality, because of the split role doesn't do any selling and is an order-taker.

For the meat plant to succeed, we would have expected on-island sales to take priority, especially as with the current pricing model on-island prices are on average higher than product sold in the UK. A dedicated salesperson would have time to develop relationships with suppliers, working closely with procurement to ensure that the correct livestock is being slaughtered to provide the cuts needed by the customer.

This view was reinforced by on-island plant customers who informed the team that they found off-island producers much more active in their communications, and more willing to go the extra mile to please the customer. We have seen emails from a customer to the [REDACTED] Manager requesting products in July which still hadn't been fulfilled when the team visited in October, with no communication from the [REDACTED] Manager as to why.

As a company heavily subvented by the Manx Taxpayer, we would have expected communication and relationship with on-island customers to be a priority, which we unfortunately found not to be the case.

14.2. Off-Island Sales

Currently, all off-island sales are conducted under contract by [REDACTED]. [REDACTED] is a importer and exporter of meat, poultry and seafood products dealing with wholesalers, manufacturers, restaurants and retail groups. Once [REDACTED] has sold product, this is then communicated back to the admin team at Isle of Man Meats to then produce an invoice which is sent directly to the customer. Sales prices are agreed with [REDACTED] on a regular basis by the [REDACTED] Manager.

██████████ are paid £██████████ per month as a retention fee to cover the cost of a phone and travel as well as ██████/kg on any product they sell. It is also important to note that ██████████ themselves also purchase meat for their own use from Isle of Man Meats. This meat is invoiced directly to ██████████.

As mentioned earlier in this report, the audit team find the ██████████ relationship concerning, not only because of the low prices being received for Isle of Man product, but because the contract does not carry any incentives for ██████████ to sell products at higher prices.

The following table shows the range of customers which are supplied by Isle of Man Meats . The list of customers is relatively low, and it can be seen that a few larger customers represent the large majority of total off island sales. The 67% at the bottom of the table represents 100% of off-island sales.

Company Name	Total Sales	% of Sales
██████████	£ ██████████	18%
██████████	£ ██████████	15%
██████████	£ ██████████	11%
██████████	£ ██████████	5%
██████████	£ ██████████	5%
██████████	£ ██████████	3%
██████████	£ ██████████	3%
██████████	£ ██████████	1%
██████████	£ ██████████	2%
██████████	£ ██████████	1%
██████████	£ ██████████	2%
██████████	£ ██████████	1%
██████████	£ ██████████	0%
██████████	£ ██████████	0%
██████████	£ ██████████	0%
██████████	£ ██████████	0%
Percentage of Total Sales		67%

From our perspective, the sales arrangements which are in place with ██████████ are highly concerning for the following reasons

- 1) ██████████ focuses on the supply of bulk products to a range of customers. Without a strong and consistent volume of product, ██████████ cannot target the highest paying markets
- 2) ██████████ have no specific connection to the Isle of Man and do not necessarily have a personal interest in ensuring the long term viability of the plant

- 3) There is no salesperson in Isle of Man meats to interact with [REDACTED], driving both service and value
- 4) The arrangement with [REDACTED] is in no way linked to the sales price which they achieve for the product. [REDACTED] are paid the same whether they achieve a high price or a low one. A low price is easier to achieve, therefore prices received are low
- 5) However, if a performance linked contract is to be implemented with [REDACTED] (or another selling organisation), a Service Level Agreement must be implemented between the seller and the plant to guarantee supply volumes and standard of product
- 6) [REDACTED]
- 7) We have also noted that there is no effective benchmarking of sales prices [REDACTED]. There does not appear to have been engagement with other distribution companies to enquire about what prices might be available for each product.
- 8) [REDACTED] are not receiving the best service from Isle of Man Meats, and do not always have the volume of product to drive sales. If product supply is not reliable, it damages the reputation of the product and customers go elsewhere.

14.3. Comparative Pricing for Off Island sales

The following table shows comparative pricing for the April 2021 to March 2022 period for a typical range of cuts. These prices are reflective of the markets which the respective companies have for their product. It can be seen that price varies per cut and per organisation. These figures give a good indication of the type of value which could potentially be obtained by IOM. The 'Commercial 1' pricing is more reflective of what is achievable for Isle of Man Meats in the short to medium term, but we believe that with strong attention to the development of relationships with premium customers and the linking of procurement of cattle to the specific customer, the prices under 'Commercial 2' could be achieved. These are reflective of the sales of premium meat.

It is very clear that the off-island prices being achieved by Isle of Man Meats are considerably lower than they potentially could be. This is one of the most significant findings of this report and indicates how much potential there is to generate additional revenue for the company.

We have focused mainly on beef, because this is where the greatest potential is, but the findings are broadly true for lamb as well. However, we believe that lamb sales prices have been damaged partially because many of the carcasses are torn and damaged because of poor performance in the slaughter hall.

	Isle of Man Meats	Commercial 1	Commercial 2
D-Rump	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]
Striploin	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]
Fillets	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]
VL 75	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]
VL 85	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]

VL 95	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]
Knuckle	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]
Chuck	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]
Silverside (full)	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]
Tied Brisket	£ [REDACTED]	£ [REDACTED]	£ [REDACTED]

14.4. Off-Island Sales Arrangements

[REDACTED]

[REDACTED]

- 1) The sales prices for beef in particular are very far behind even the industry average, never mind that for product which should be ultimately marketed as premium
- 2) Many expressed the opinion [REDACTED] [REDACTED] [REDACTED] have no reason to be fully invested in the Isle of Man business. However, this is a two way relationship and the supply of beef in particular is not supplied at the volume or timeliness that is required to access premium markets

[REDACTED]

We believe it is essential that Isle of Man Meats consider alternative off-island sales arrangements. A change may eventually not be made, but it must be investigated. Product could gradually be moved away from [REDACTED] to other potential suppliers, allowing a degree of benchmarking of price. Any [REDACTED] sales intermediary needs to be engaged on a contract which incentivise sales prices achieved for the product, but as stated earlier, Isle of Man Meats must also implement a Service Level Agreement with the sales organisation . Regardless of which company is appointed (or if they are appointed), the factory needs to have an employee who is dedicated to maximising sales value for Isle of Man Meats (and whose contract is performance linked). This employee, as well as delivering on-island sales, will also be responsible for price monitoring and product development for off-island sales to ensure that the maximum sales values are achieved, and that over time, the product is sold into premium markets.

14.5. Customer Service

As part of the Audit, the team undertook interviews with a range of customers including butchers and local shops. Considering the rising subvention, we would have expected to find a customer focused Sales Manager who was working hard to develop relationships with buyers, especially with those already on the island and willing to buy.

However, the reality at Isle of Man Meats is different. We were told stories of emails which have taken an inordinately long times to receive a response to sales or product enquiries, with no urgency being displayed. Current relationships are very mixed, with some reasonably strong relationships and others very poor, despite the actual or potential importance of the customer. The broad story is one of a general unwillingness to work with clients to develop sales – almost that customers were a problem, not an opportunity.

In order to thrive, Isle of Man Meats needs a sales-focused recovery. This will mean Senior Management spending time to grow relationships with customers both on and off the island, showing a willingness to go the extra mile to provide the customer with a spec of product that they are happy with. Again, this is a reason why we are strongly encouraging the appointment of a salesperson who is fundamentally sales and customer relationship focused.

It is crucial that on-island sales and customer service is improved. In business, people buy from people, and work put into relationship development is valuable and opens up the opportunity for value add.

We believe that it is vital that Isle of Man Meats develops and implements a 'Customer service charter', setting out the standards which the company and its employees must achieve in their interactions with customers. This charter should include (amongst others) response times, quality targets and problem resolution steps.

14.6. Solutions

There are a number of solutions which can be applied to the sales and pricing challenge which is faced by Isle of Man Meats. Some are relatively quick and will make a difference in a short space of time, others will take longer. It is our strong opinion that the following should be implemented;

- 1) Delivery of a complete review of sales practices by the company.
- 2) Appointment of a dedicated salesperson for the company.
- 3) Determine the most effective way of utilising this salesperson. Our initial thoughts are as follows;
 - a. Salesperson should be based on the island to ensure that they are in the factory and create a voice for the customer and for sales development
 - b. Salesperson should be responsible for on-island sales and account management of customers
 - c. Strengthen the current contract, or employ a secondary, performance linked contract which could initially be used to engage with a sales organisation based on the UK mainland.
 - d. The Salesperson would oversee the prices achieved by the mainland based organisation and would work alongside them to develop premium sales. In the longer term, Isle of Man Meats could choose to manage all sales, or could conclude that the arrangement is working effectively and continue with it. If an external organisation is engaged, one should be chosen which has a range of premium markets which could be available to product from Isle of Man Meats .
- 4) Review the company management structure and ensure that the Salesperson is on the Senior Management Team and able to strongly influence company direction.
- 5) The new senior team at the plant to work with the new salesperson to design and deliver a strategic sales development plan, with 6 month, 1 year, 3 year and 5 year targets.

15. Ideological Challenges for Isle of Man Meats

The Isle of Man Meat plant is more than a commercial business. It provides an essential service for many of the island's farmers and offers employment for almost 50 people. However it must adapt and overcome the following challenges in order to survive without a very large level of government subvention.

- The plant facility is too large for the amount of product which can be processed
- The staff work very slowly, but if the staff worked more quickly and the factory throughput remains the same, there would only be approximately two-three days work per week for many of the staff if staff numbers remain the same
- The factory needs more throughput to improve its financial performance
 - However, the sales performance of the plant must improve in order to justify the additional throughput
- The sales performance from the plant must consistently improve in order to justify increased throughput to raise the confidence of the farming sector over the long-term

- There is the potential to remove boning from the factory and to just sell carcass product. This would mean that the number of staff in the factory would have to reduce, but a decision could be made to keep the reliable staff and to remove those who are not fully committed

16. Conclusions

The factory has several serious challenges, some of which are broadly outside the control of factory management and should be mitigated as far as possible. Other challenges are within the control of the factory and can be addressed by factory management.

16.1. Factors outside the control of the factory

There are some factors outside the immediate control of the factory which will always restrict the performance of Isle of Man Meats. However, despite the fact that there is no direct control, there is still the potential for the factory management to take steps which can at least partially mitigate the challenges.

- 1) **The low numbers of cattle on the island.** In an ideal situation, the factory would be processing up to 30,000 cattle per year. In reality the maximum amount of cattle which will be available is around 9000, unless additional stock can be retained and finished on the island
 - a. It is possible for the factory to procure additional stock from the island, by building sales to the point where additional stock can be sourced
 - b. If sales continue to build, and a procurement plan can be put in place, with suitable financial incentives, farmers can be persuaded to retain and finish stock which currently leaves the island as stores
 - c. If sales outlets can be found for cull cows (either dairy or beef breed), farmers could also sell this class of animals to the factory improving throughput and diluting plant overheads
- 2) **The relatively low numbers of sheep on the island.** The factory is capable of processing all of the lamb which is produced on the island, but many of the lambs are sold off the island as stores, or are transported live to an abattoir in England. Approximately 50,000 lambs could potentially be available, and the factory processes about 33,000 annually
 - a. There is potential for the factory to execute a procurement plan to source additional lambs from the island.
 - b. There is long-term potential to encourage farmers to produce more lambs on the island
- 3) **The very low levels of availability of pigs on the island.** The plant already processes all the pigs on the island, and there is very limited opportunity to raise this. Thus, pig processing is unlikely to contribute to overhead reduction
- 4) **The low levels of staff availability on the island.** The most recent figures indicate that there are approximately 800 jobs currently available on the Isle of Man, but only 300 unemployed. This presents a real challenge around staff availability and requires long term planning, both in sourcing additional labour and in ensuring that those employed in the plant build their skills, enjoy the work and benefit from improved performance in the plant. Alternatively, a faster, more skilled operational workforce would reduce staff numbers required
- 5) **The high transport charges to move product off the island.** The cost of moving product off the island via the ferry is very expensive, with costs of between £3000 and £4000 per vehicle. To put this in some sort of context, discussions with other firms in Ireland revealed that until very recently they were able to deliver a lorry load of lambs to Germany for around £1650

16.2. Factors within the control of the factory

The following factors are within the control of factory staff:

- 1) **Low collection of data which can be used to manage the factory**
 - a. Increased collection and use of data is fully within the control of the factory

2) Low procurement of animals. Fewer animals are being procured than are available.

- a. There is a very long waiting list (8 weeks) for farmers to be able to have animals slaughtered at the plant
- b. It appears that a decision has been made to maintain a relatively low procurement level because there is not a gross margin on each animal. Therefore the more animals that are slaughtered, the more money is lost. In most abattoirs, profitability can be driven by increasing throughput and diluting overheads. This is currently a challenge because the sales price which is being achieved is too low
- c. The plant management/board of directors could decide to process additional animals from the island and could go on a procurement drive

3) Reliability of factory service to farmers

- a. The need for the factory is recognised by all farmers, but not all farmers use the services of the plant
- b. The number of farmers supplying stock to the plant has dropped, partially through the reduced numbers being processed by the plant, but also because some farmers believe that the service of the plant is not good enough

4) Low speed of operation

- a. The factory operational pace is extremely slow
- b. The factory has good facilities and the fabric is well maintained. The equipment is appropriate and is able to sustain a much more rapid level of operation
- c. A factory of comparable size operating at full speed would be achieving a cattle slaughter rate of around 37 animals per hour. Isle of Man Meats is only achieving about 8 cattle per hour
- d. Boning speed is also low

5) Low levels of supervision on the kill floor

- a. It is the opinion of our auditors that departmental supervision in the factory is inadequate, and it is causing the factory to operate very slowly and to produce (in some instances), lower quality product

6) Low skill levels

- a. The factory faces challenges in staff supply. This is true of almost all abattoirs at present. However, the problem is exacerbated by the fact the abattoir is on an island with a limited population
- b. There is little evidence of effective and regular skills training which results in
 - i. Poor line speed
 - ii. Poor dressing of carcasses leading to complaints and returns
- c. Ongoing skills training would address this problem

7) Low focus on driving sales value

- a. Increased focus on sales is fully within the control of the factory
- b. A sales led recovery is critically important to Isle of Man Meats

17. Overall summary

The factory displays an overall malaise and in places, gross ineptitude. There are multiple problems, and it will take an extended period of time to resolve them. We have listed the five largest challenges below:

- 1) **The sales model is fundamentally flawed.** There is no real oversight of pricing, and there does not seem to be any interest in driving sales. We believe that the single biggest challenge facing Isle of Man Meats is the driving of sales prices which are profitable for the plant and encourage farm production on the island
- 2) **The amount of management and financial information which is collected is much too low.** The level of information which is available to the Senior Manager is too low to enable effective close management, and a focus on areas which should be improved. There is little excuse for this low level of information and it needs to be resolved very quickly. A culture of information collection, analysis and use must be implemented
- 3) **The pace of operation of the plant is much too slow.** The pace of slaughter is so slow that slaughter runs which should be completed in 3 hours are taking almost all day. This means that staff cannot be reassigned to different tasks following slaughter. Due to the slow pace of work, the plant requires additional staff, which increases costs and causes problems for management in ensuring that enough staff are available in the plant to carry out day to day tasks. A smaller team of faster, more skilled, higher paid employees would be a benefit to the plant. The slow pace of work also means that it is difficult to increase kill to dilute overheads
- 4) **The staff management and training programme is fundamentally flawed.** The factory has a culture of delivery of the urgent rather than the essential. Most of the employees in Isle of Man Meats do not have the required skill levels, and no long-term training and staff development programmes have been put in place. Additionally, each department, with the exception of dispatch, lacks a strong manager to lead and train the team. Overall, there appears to be a focus on command rather than leadership
- 5) **Adherence to regulation is poor.** Our Health and Safety review revealed very large failings and highlighted poor company culture in this area
- 6) **The factory process reveals an overall lack of attention to detail.** Operation of a business such as Isle of Man Meats demands a real attention to detail, and this does not appear to be in place. Where things can be left, they are, and there is a startling lack of proactive work to address the many obvious problems. This lack of proactivity is the hallmark of almost every one of the plant's activities, and the end result is poor prices, poor customer service, slow processing, high operating costs, unskilled staff, product damage and poor adherence to legal requirements

18. Cost of identified challenges

The table below summarises the key areas causing financial loss and places an estimated value on their resolution.

Challenge	Potential Value	Comment
Low sales prices of beef	£1.4-£2.2 million	This is based on the actual weight of product sold, not the potential yield. This uses values obtained from a range of sources, and which broadly agree with each other. The potential additional values we have calculated range from £1.4 million to £2.2 million. This is not easily achievable, but with an intense focus on sales development, it can be done.
Low sales prices of lamb	Est: £300,000	This is based on the actual weight of product sold, not the potential yield. This uses values obtained from a range of sources, and which broadly agree with each other.
Low yield of higher value beef	£50-70,000	Our examination of beef boning yields revealed that they were broadly acceptable. With additional training and development, the yielding of higher value cuts could be improved.
High numbers of staff and slow working speed.	£182,000	The factory requires a certain minimum number of staff to remain operational. The slaughter line, for instance requires 18 people to operate. Average daily attendance at the factory is approximately 26.3 operational staff and 6 office staff, 2 executive staff
Potential Savings/Benefit	£1.9-2.7 million	

It can be seen that the potential benefits and savings are large. We emphasise that these are potential benefits, and they will only be realised over a period of time, and potentially not fully. In reality, the achievable benefits are at the lower range of our estimates. It should be noted that, even at the maximum potential benefit, the additional income or cost savings do not fully cover the losses which the plant is making, and it is our opinion that the plant will continue to require support. This is primarily a result of the island location of the plant, causing a restricted flow of raw material which means that overhead costs will always be proportionally high.

We do, however, recommend that a maximum subvention limit be set, with the subvention gradually reducing over either a three or five year period.

It is difficult to assess exactly what the subvention should be, because the cost of operation will increase over the next year due to higher energy costs in particular, but in reality, the subvention should be set at a maximum of £2 million, with operational bonuses provided to key staff for reducing this in £100,000 steps to £1 million.

19. Rectifying the Challenges

The following table summarises the specific challenges facing the plant and suggests steps which can be taken to rectify the challenge.

Challenge	Rectification
The pace of operation of the plant is much too slow	
The absence of appropriate, dynamic leadership	<p>Board to ensure that the meat plant has dynamic leadership. The board to consider either</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
The amount of management and financial information which is collected is much too low.	
Factory KPIs are not in place	<p>Board to require that the business reports monthly against the KPIs defined in this report.</p> <p>Executive staff to create a management structure which manages each department against agreed KPIs</p>
Financial and management controls are not in place	<p>Board to require that each system report and financial control point defined in this report are implemented inside a 12 month period</p> <ol style="list-style-type: none"> 1) Creation of appropriate KPIs against which the factory would be managed 2) Collection and analysis of appropriate data to ensure that all KPIs can be measured and reported
Inadequate information being passed to board to enable effective oversight	
The absence of sufficient oversight and decision making by the board	<p>The board are not fully informed about factory performance against KPIs</p> <p>Board to require that the executive team report monthly against agreed KPIs</p>
Fundamentally flawed staff management and training programme	
Staff do not feel valued by management	<p>Development of a long term training programme which upskills staff and allows them to develop their career.</p> <p>Consideration of a reward structure which is linked to the overall physical and financial performance of the factory. This could involve (for instance) a bonus on salary/wages amount received. Half of this would be paid for the factory achieving physical performance KPIs and half if the factory achieves financial targets. All staff should be involved in this.</p> <p>Executive staff to create a culture of staff relationships which ensure that each individual is valued and managed correctly.</p>
Adherence to regulation	

<p>Multiple policies are not up to date or are absent.</p>	<p>Board to oversee creation of full policy list</p> <p>Board to oversee annual review of policies against agreed list</p> <p>Executive team to create and maintain policies which ensure that the plant is managed legally and is not exposed to potential claims or litigation</p> <p>Executive team to report quarterly to Board on areas covered by each policy</p>
<p>Fundamentally flawed sales model</p>	
<p>Absence of active sales development</p> <p>The absence of a sales person who will build and maintain relationships with key customers is also highly damaging.</p>	<p>Board to ensure that an individual responsible for sales is to be appointed in the plant.</p> <p>The sales person can manage and develop on-island sales, and will be responsible for overseeing and developing sales relationships in the UK. This could involve the appointment of a specific sales organisation who will work with Isle of Man Meats to target premium sales.</p> <p>The salesperson will oversee appropriate sales structures, setting and reporting on sales targets, customer management targets and customer acquisition targets, as well as overall price targets.</p> <p>Executive team to create reports from data collected in the plant which indicate the prices which need to be achieved to receive a profit after overheads for each cut, and to ensure that these are updated weekly and shared with the salesperson.</p>
<p>Low procurement numbers</p>	
<p>The low procurement numbers mean that the overheads are proportionally high</p>	<p>Provided that the factory increases sales prices and overall performance to ensure that there is a Gross Margin, the board and the executive team should make a decision to increase the amount of stock procured</p> <p>Relationships should be built with key producers to ensure ongoing supply of livestock at the correct time</p> <p>Relationships should be built with producers to match production to customers, enabling premium relationships to be developed</p>

20. The Urgency of Planning

It is clear from our review that the plant lacks leadership. There is an absence of target setting and planning to deliver against these targets. It is crucial strategic plans are designed and implemented. This should include the following;

- 1) **Sales Targets:** 6-month, 1-year, 3-year and 5-year sales targets
 - a. On-island sales
 - b. Off-island sales
 - c. Key customer targets
 - d. Products, quantities and attributes which are necessary to deliver sales targets
- 2) **Marketing Activity:** Marketing activity which is required to deliver against sales targets
 - a. Presentation to the Board of the 'Dawn of New Era' strategy by 572 Marketing
 - b. Positioning of Isle of Man Meats as a premium global brand
 - c. Telling the unique story of meat reared in the world's only 'entire nation' biosphere
- 3) **Financial Targets:** 6-month, 1-year, 3-year and 5-year financial targets
- 4) **Physical Performance Targets:** 6-month, 1-year, 3-year and 5-year factory physical performance targets
 - a. Definition of vital Key Performance Indicators (KPI)
 - b. Target setting for each KPI
 - c. Identification of resources required to
- 5) **Procurement Targets:** 6-month, 1-year, 3-year and 5-year procurement targets
 - a. Numbers and type of stock
 - b. Key delivery periods
 - c. Necessary development to deliver against procurement targets
 - d. Development required to deliver against provenance and integrity targets
- 6) **Skills development and training programme**
 - a. Determination of the skills gaps which are required to deliver against the physical performance targets of the factory
 - b. Determination of the skills required to manage the KPIs and Financial monitoring targets implemented in the factory
 - c. Design of training programmes
 - d. Delivery of training programmes

The sheer amount of planning and training required could be almost overwhelming, but it is important to prioritise and to deliver the most urgent first. We suggest the following order of priority, but in reality they need to happen concurrently. The development of these plans would enable Isle of Man Meats to take confidence steps towards improvement by determining clear and focused actions.

1. The **Sales Plan** is the most important as it can establish direction for the factory, and the other plans and activities which are necessary to deliver against the sales plan will flow out from this. A **Marketing Plan** can be developed after the Sales Plan is completed. The marketing plan should be focused on raising awareness of IOM product and its overall reputation
2. The **Procurement Plan** follows on from the Sales Plan. Procurement planning should account for:
 - a. The amount of product which is expected to be sold
 - b. The type of product which will be required
 - c. The time period during which each product is demanded

3. **Physical Factory targets** should follow on from the Procurement and Sales plan. The procurement plan will provide an indication of the volume of product which needs to be slaughtered, and the sales plan will give an indication of the specific products which need to be produced from this. The factory process should aim to produce the required product from the minimum number of animals possible, and a knowledge of the processes required will enable planning of staff attendance, required staff training, equipment and processes necessary
4. **Financial targets** will follow directly from the previous three plans. Ultimately, factory performance needs to be measured through financial performance. It is essential that very clear reports are created which allow senior management to always be in a position to understand the exact position and performance of the factory
5. Finally, a **Skills Development and Training Programme** will need to be developed. With a knowledge of the type and amount of product which must be produced, Senior Management will be able to determine the skills and training needs, and will be able to design a programme to address this

An understanding of the required processes will lead to the development of KPIs which will allow measurement of delivery against the processing plan, and which will allow the factory to report both physical and financial performance. These KPIs should be used for weekly management, and should be reported on a monthly basis to the Board.

21. Appendix

21.1. Plant Summary

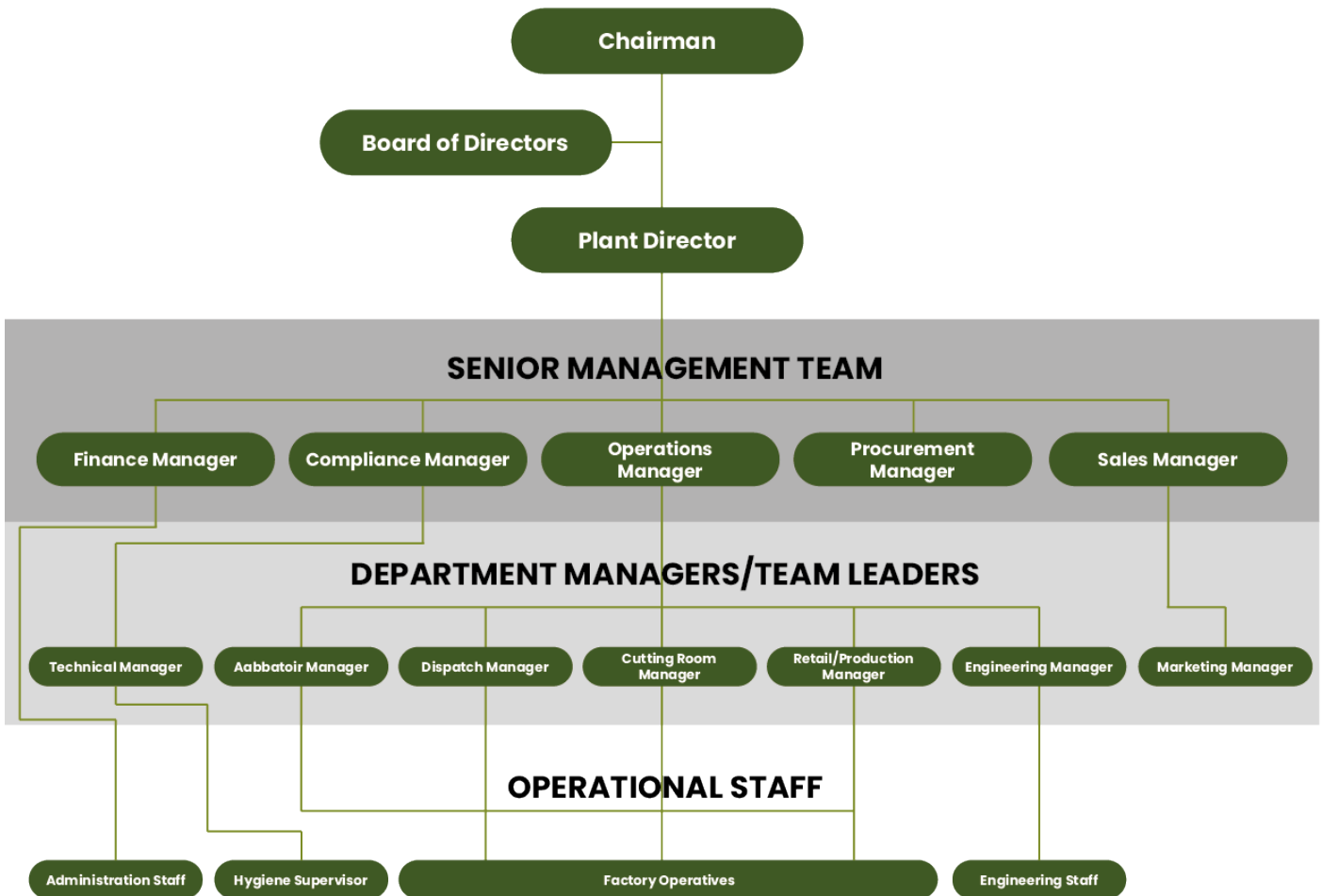
	Isle of Man Plant
Factory throughput (kgs of carcass per species)	
Prime beef	4000
Old beef	Approximately 500
Lambs	Approximately 33,000
Ewes	Approximately 1500
Pigs	Approximately 1200
Cost to kill per kg of carcass meat produced	
Beef	The factory does not keep specific cost to kill figures for beef
Lamb	The factory does not keep specific cost to kill figures for lamb
Pork	The factory does not keep specific cost to kill figures for pork
Cost to bone per kg of meat boned	
Beef	The factory does not keep specific records of the number of staff involved in boning
Lamb	The factory does not keep specific records of the number of staff involved in boning
Pork	The factory does not keep specific records of the number of staff involved in boning
Cost to kill and bone per kg of carcass meat slaughtered (beef and lamb)	61p/kg
Boning yield per batch	Factory does not record full boning yields. They occasionally record yields for a small batch or for individual animals. The factory is well set up to do full yielding and simply need to weight and record product into the Work in Progress (WIP) Chill, as product from the boning hall is already weighed out.
Proportion of products resulting from boning	The products are relatively close to what would be expected, although, from the individual yields we have seen, training would enable an increased proportion of higher value product to be sold, raising returns to the factory.
Purchase price of livestock per kg/carcass	The purchase price of all livestock is recorded
Beef	£3.98
Lamb	£4.93
Pork	£1.44
Recording of sales prices	
Sales price achieved for individual products	The sales prices for all products is recorded
Sales price achieved against industry benchmarks	Sale prices are not correctly benchmarked
Operational costs	
Number of employees	49
Total salary costs	£1.37 million
Factory gross margin	£775,712
Factory net margin	-£2.8 million
Stock Balancing/Stocktakes	
Daily mass balance	Daily mass balances are not run, although they should be relatively easy to do through some alterations to the HCS system

Weekly mass balance	Weekly mass balances are not run, although they should be relatively easy to do through some alterations to the HCS system
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21.2. Structure and Roles

21.2.1. Management Structure

It's clear from the audit that the current management structure needs revamped to truly reflect the aims of Isle of Man Meats. Ultimately the Board needs to decide what roles and format are most appropriate, but we propose the following as a starting point for consideration.



21.2.2. Criteria for Roles within Isle of Man Meats

21.2.2.1. Board Chair

The Board Chair is a critically important role, leading the board with regard to strategic and performance oversight of Isle of Man Meats. The board chair is responsible for defining the KPIs against which the company performance is assessed. He or she is also responsible for ensuring sign-off on strategic and operational direction of the plant.

The board chair should ideally have the following characteristics and/or abilities

- Prior experience of high-level company management or governance
- Prior board level experience
- Ideally, the board chair should have previous experience of the red meat processing industry, but this is not essential, provided that this is in place elsewhere on the board

- The ability to host meetings, to facilitate debate and to enable consensus to be reached and decisions made
- Strong people management skills
- Decisiveness
- The ability to think conceptually
- The ability to formulate and assess strategic plans

The Board Chair must have the willingness to call people to account and to make tough decisions. They must make decisions within the context of the agreed strategic plans.

21.2.2.2. Plant Manager

The Plant Manager is the most important role to get correct. The Plant Manager sets the culture, standards, and manages against KPIs. The Plant Manager also leads the Senior Management Team and is responsible for ensuring good team dynamics, close working relationships and for ensuring that each department has a clear influence on overall activity. The Plant Manager will ensure that Sales and Procurement work effectively together and that the operation of the plant delivers as effectively as possible against the needs of both those departments. The Plant Manager also needs to ensure that Sales:Customer relationships are appropriate and effective and that the Procurement:Farmer relationship is strong, that the plant is trusted by farmers and that it provides an effective service to the island.

The Plant Manager must have the following characteristics

- Strong people management skills, ideally being viewed as 'hard but fair'
- A hard worker, willing to lead by example, with the willingness to 'get his or her hands dirty' in occasionally working alongside the operational team, providing training and support
- A strong understanding of the red meat industry, with significant prior experience of red meat plant management, as well as a working understanding of sales and livestock procurement
- The ability to foster good working relationships between team members, particularly at Senior Manager level
- A clear recognition of the over-riding importance of strong sales and sales pricing, and the willingness to focus the company on delivering high value sales, with consistent quality and exceptional customer service
- A clear recognition of the over-riding importance of management information, and the willingness to drive the collection of data, its analysis and the management of the business against appropriate KPIs
- A clear recognition of the importance of strategic planning and the joining up of individual plans. He or she must have the willingness to drive the creation of a sales and marketing plan, a procurement plan and an operational plan
- A recognition of the value of ongoing training and career development for factory staff, as well as a clear understanding of how training can improve operational efficiency. He or she must have the willingness to design and implement a plan for ongoing training within the plant
- A clear recognition that the plant needs to operate legally, meeting all legislative and audit requirements for Food Safety and Health & Safety. He or she must have the willingness to empower the team member(s) responsible for technical and health & safety functions.

21.2.2.3. Financial Manager

The Financial Controller must have the competence to collect, analyse and interpret all financial and operational data from the plant. He or she must be able to present this in a range of formats, and be able to provide the Plant Manager and the Board with all analyses which are required.

21.2.2.4. Sales Manager

The Sales Manager role is of vital importance to the business. Ideally, the person who fills this role should have the following characteristics

- Good personal skills, with the ability to relate well to a range of people

- Very strong commercial understanding and aptitude
- A strong record of sales delivery
- A customer service mentality, with the ability to build strong commercial relationships which are mutually beneficial to Isle of Man Meats and the customer.
- A very strong understanding of the different meat sales sectors, including retail, food service and catering
- A strong understanding of the red meat sector, with an understanding of meat cuts, meat quality and the livestock procurement process and its impact on product availability.
- The ability to work as part of a Senior Team to improve the commercial performance of Isle of Man Meats
- An understanding of how red meat can achieve premium sales and the steps to achieve this
- The ability to create short and long-term strategic sales plans which can drive increased sales prices for Isle of Man Meats, and which interact with the procurement and operational plans.
- The willingness to work alongside procurement to develop supply chains which can be sold into premium markets
- The willingness to work alongside procurement to occasionally sell excess livestock which has built up on the Island

21.2.2.5. Procurement Manager

The Procurement Manager is also vitally important to the business and will be responsible for building a volume of procurement which can meet customer needs and dilute the overhead costs for the factory.

The Procurement Manager must have the following:

- Strong interpersonal skills
- The ability to build good relationships with farmers
- A strong understanding of the red meat primary production sector
- Strong commercial awareness
- Good negotiation skills
- The ability to work within a Senior Management Team in the plant
- The ability to build a long-term procurement plan which will deliver against the sales and marketing plan
- The ability to deliver against this plan

21.2.2.6. Compliance Manager

The Compliance Manager must have a strong understanding of red meat plant operation. They must be able to apply the appropriate legislation, and must have the ability to work inside a Senior Management team to assist with sales and influence factory process to ensure that it is safe for customers and for employees. The Senior Management team must recognise the importance of the technical and health and safety functions.

21.2.2.7. Operations Manager

The Operations Manager must have a strong understanding of red meat plant operation and the skills necessary for effective slaughter and boning. They must demonstrate strong personnel management skills and must be able to rapidly gain the respect of the operational staff. It will be their primary responsibility to liaise with the operational departments (Abattoir, Cutting Room, Dispatch, Retail/Production and Engineering) to ensure that they are reaching target performance levels. He or she must be able to ensure that the plant meets the needs of the sales and procurement departments; that plans are developed and implemented to develop the functionality to meet future needs; that a training plan is developed and executed (in conjunction with other senior managers); and that training is delivered in response to the current or future needs of the plant.