



Minutes of the meeting of the Agri-Food and Biosciences Institute Board
held at
The Agriculture and Food Science Centre, Newforge Lane
on Wednesday 20 September 2006 at 10.00 am

Present:

Board Members

Mr Sean Hogan, Chairperson
Professor David McDowell, Deputy
Chairperson
Mr Kieran Campbell
Dr Michael Hollywood
Mr Nicholas Mack
Mr John McKinley
Professor Stewart McNulty
Professor Grace Mulcahy
Mr John Rankin
Mr Michael Walker

In attendance: Dr George McIlroy, Chief Executive
Mr Stephen Dolan, Head of Business Support Unit
Mr Manus McGuinness (Secretary)

Apologies : Dr Christine Kennedy
Mr James Noble
Mr Jim Stewart
Dr Robin Boyd

1. Minutes of the meeting held on 16 August 2006

The minutes of the meeting held on 16 August 2006 were agreed.

2. Matters arising

In a general discussion about the current state of play in AFBI's relationship with DARD as an intelligent customer, Dr McIlroy said that he would make a presentation on this to the next Board meeting. Before this he will confirm with the DARD Permanent Secretary the position on the appointment of a DARD Scientific Adviser. The relationship with REAP and its contribution to the Agriculture Industry are important aspects to be clarified. The points were made that AFBI had in most areas met its obligation to O'Hare, that the positioning of

DARD as an AFBI customer was a developing one and that AFBI should take every opportunity to demonstrate its wish to contribute to the relationship in a positive way. The interlink with AgriSearch, in which most AFBI work for AgriSearch was co-funded by DARD, was also noted.

3. Report from Chief Executive's Office (CEO)

3.1 Management Statement and Financial Memorandum (MSFM)

3.1.1 Mr Dolan reported on recent correspondence with the Sponsor Branch which indicated that DARD were processing some minor amendments for DFP. Approval to the document is expected before the next Board meeting.

3.1.2 Dr McIlroy reminded members that the MSFM was a working document that could be made to fit in with both AFBI's and DARD's business needs. He believed that the "*arms length*" remit from DARD was a realistic aim although some difficulties had arisen on the bigger issues, for example the budget deficiency. AFBI was continuing to work closely with the Sponsor Branch to resolve the issues on working relationships. Mr Hogan was of the view that, in all the circumstances, particularly with the inadequate shadow period, AFBI was developing very well as a new NDPB. He highlighted the good practices and structures already in place and the ongoing exploration of the relationships with DARD.

4. Report from Business Support Unit (BSU)

4.1 Finance

4.1.1 Mr Dolan recalled the outcome of the June monitoring round in which no bids were met except those for Health and Education. The implications of this for AFBI had been a budget deficit of some £2.9m in the current financial year. The main actions taken to reduce the shortfall were a reduction in Divisional resource budgets and a delay in recruitment. The Sponsor Branch had, however, agreed the need to recruit key posts. Since the June exercise, some easement had been identified on additional receipts from income earned which had not been previously accounted for in the DARD opening position for AFBI. At a meeting with Sponsor Branch the previous day it had been agreed that AFBI could use the additional receipts without any reduction in its grant-in-aid. As a result, some additional resources can now be allocated to Divisions. In welcoming the development on receipts, Dr McIlroy said that this would help to ease the budgetary pressure on AFBI this year. However, the implications of a freeze on recruitment for delivery of AFBI's business should not be underestimated and would lead to hard decisions being taken.

4.1.2 The single most difficult budget issue facing AFBI was the £1.1m pressure due to non-recoverable VAT. The main points made in a thorough and exhaustive discussion on the issue were:

- (i) This issue has arisen because AFBI is not allowed to recover input VAT.
- (ii) This is not a problem created by AFBI, but one for DFP/Treasury to address. While it can be viewed as a paper exercise, in the overall fiscal arrangements it represented hard cash to AFBI.
- (iii) AFBI is being asked to manage a 17½% financial squeeze on its business year on year. This comes on top of the full cost recovery developments and the need to make efficiencies. If AFBI were to find any of the VAT bill from its own resources this would add no value to its business.
- (iv) On a point of principle, AFBI should not attempt to meet any of the VAT shortfall and the strong position already taken with DARD should be maintained.
- (v) Action to resolve the issue needs to be taken quickly. The issue poses a real threat to the viability of AFBI and would lead to its collapse if it persisted year on year.

4.1.3 The Board gave its full support to the Chief Executive and Senior Management Team in its negotiations with DARD on the VAT issue and to the stance that this was not an AFBI problem, but one for DFP/Treasury to resolve. Mr Hogan asked that the Board should receive continuing update on this matter.

4.2 Risk Management

4.2.1 Mr Dolan presented the AFBI Board Risk Register to the meeting. He noted the improved rankings on a number of risks. On B12 relating to DARD services, the improvement indicated that areas of concern had been resolved in discussion with the Sponsor Branch and DARD Personnel. The initial problems with the DARD accounting system in H10 had been eradicated and the situation was being monitored daily.

4.2.2 On the risk relating to financial management, concern was expressed that AFBI could be facing a significant budget deficit for the next 3 years. In discussion, the points were made that the budgets for the forward years had still to be negotiated and that AFBI could absorb efficiency savings if the grant-in-aid was a guaranteed amount. However, AFBI would not be immune from public expenditure cuts. A number of factors would impact on budget management – for example the level of income generated, the AFBI costing system, the AFBI work programme, the relationship with and commitment from DARD. However, care needed to be exercised in making efficiency savings

and there was a need to retain flexibility in the system, especially to meet an emergency situation.

4.2.3 Mr Dolan said that he had been giving some thought to the AFBI risk management strategy and processes with the aim of creating a clear audit trail from Branch/Division, through the Senior Management Team, and up to Audit Committee and Board level. In welcoming this development Dr McIlroy said that, while this did not mean micro management of risks by the Board, members could ask to see the details of a specific area if they wished.

4.3 **Internal Audit Services**

Mr Dolan reported that, as invitations to tender had been agreed and published before 1 September, the quotations were based on 2003-04 rates resulting in a significant saving to AFBI. Responses are due by 22 September, these will be evaluated in the following week or two and auditors should be appointed in October. Mr Kieran Campbell will represent the Audit Committee on the evaluation panel.

4.4 **Information Communication Technology (ICT)**

Mr Dolan advised the Board of current developments in two areas – a new line to improve communications with Dundonald House and the Hillsborough upgrade. DARD will meet installation costs, with the proviso in the Hillsborough case that these are not excessive. Network utilisation problems on the AFBI network are being addressed by measures to limit internet usage and to control the volume of e-mails going through the system.

4.5 **AFBI Recruitment**

Mr Dolan reported that a recruitment notice had been placed in the press for an HR Manager, a Principal Accountant, a Procurement Manager and Scientific posts that could not be filled internally. These posts are essential to meet AFBI business needs. It is the intention that all other vacancies will be filled through internal trawls. The current recruitment is, of course, also open to AFBI staff. Dr McIlroy said that, as Accounting Officer, he was content with the business need for the recruitment.

4.6 **Pension Matters**

4.6.1 Mr Dolan advised the Board that there was still no resolution to the issue of financial liability in relation to the transfer of former ARINI staff from NILGOSC to the PCSPS. AFBI had corresponded with both the Government Actuary Department and NILGOSC and a quotation on the amount they are prepared to transfer to the PCSPS is awaited from NILGOSC.

4.6.2 In discussion the Board recognised the unfortunate “limbo” position in which ARINI staff found themselves and the effect on staff morale. However, this situation was not created by AFBI. There was a Ministerial commitment that ARINI staff would move across to AFBI with no detriment and their future employment is guaranteed under PCSPS. The issue was primarily one for DFP and the Government Actuary to resolve. This issue had been raised at a number of AFBI Board meetings and ARINI staff should be assured that all possible action had been taken by AFBI to resolve the matter. It was agreed that, if the situation remained unresolved by the next Board meeting, a strong letter should be sent to DFP.

5. AFBI Business Plan 2006-07

5.1 Mr Hogan asked for comments on the Business Plan for 2006-07 which had been circulated to members prior to the meeting. There was a general welcome for the targets set in the plan, for example very tight turnaround target for diagnostic services, and for the clear objectives for the Business Support Unit and the Chief Executive’s Office. However, it was felt that research targets for 2006-07 needed more attention in the plan and it was agreed that an update on this aspect would be brought to the next meeting.

5.2 Mr Dolan drew members’ attention to the resources breakdown in the final page of the plan. The allocations for staff and GAE could be achieved but the £9.6m for resources was an area of real concern. It was against this figure that the £2.9m budget deficit had been identified. The amount allocated for capital related to purchase of machinery and equipment – DARD held the capital money for land and buildings. A key element in effective budget management was the amount raised as income and it was essential that the amount in the annual business plan was achieved. In discussion on the mechanisms for getting approval to new spend, for example on equipment, Dr McIlroy referred to the ongoing and developing mechanism of the Senior Management Team and he stressed the need for strategic planning and flexibility in the system to meet business needs and opportunities.

6. Performance Measures for the AFBI Board

6.1 In introducing this paper, Mr Hogan said that adoption of performance measures for the Board was essential for best practice and good governance in the management of AFBI operations. These would also provide the basis for reporting to the Minister on the functioning and effectiveness of the Board. The measures proposed had been taken from the business plans of the Chief Executive’s Office and Business Support Unit. Some of these have already been achieved because the Board has been operating since 1 April 2006.

6.2 In discussion, there was general support for the adoption of performance measures. However, the question was raised whether the Board also needed to consider a higher level of measures, for example its oversight role and responsibility for the strategic direction of the organisation and members' adherence to the 7 principles of public life. The suggestion was made that the Board should commit itself to one public meeting a year which stakeholders and staff could attend. In this context the "away day" proposed at the previous meeting could be used as a vehicle for discussing and setting performance measures for the Board. The point was also made about the important position held by the Board. Staff should be able to see the measures in place to fulfil that role.

6.3 In conclusion, on a proposal by Mr Walker seconded by Professor McNulty, the performance measures as presented in the paper were adopted by the Board subject to the making of further changes as directed by the Board. One change was agreed. The phrase "*In addition to the normal criteria by which Boards are evaluated*" should be included before "*The specific measures are*".

7. Any other business

Board Event

Further to the agreement in principle at the previous meeting to hold an event for Board members, Mr Hogan said that he would consider potential facilitators and timeframe for the event and would report back to the next meeting.

8. Date of next meeting

The next meeting will be held at 10.00 am on Wednesday 18 October 2006 at AFBI Loughall.

Following lunch the Board visited the Food Chemistry and Food Microbiology areas of the Agriculture, Food and Environmental Sciences Division in Newforge.

Signed: _____
(Chairperson)

Date: _____