



Minutes of the Meeting of the Agri-Food and Biosciences Institute (AFBI) Board
held at
AFBI Newforge (Headquarters), Belfast
on Wednesday 21 February 2007 at 10.00 am

Present:

Board Members

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

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

Apologies: Mr Jim Stewart
Dr Robin Boyd, Head of Chief Executive's Office

1. Minutes of the meeting held on 17 January 2007

On a proposal by Mr Mack, seconded by Mr Noble the minutes of the meeting held on 17 January 2007 were agreed.

2. Matters arising

2.1 Management Statement and Financial Memorandum (MSFM)

Mr Dolan reported that the MSFM had been signed by the Chairperson, Chief Executive and DARD and was formally returned to DARD on 9 February 2007. DARD have indicated that, while there will be the normal quinquennial review of the document every 5 years, it would be useful to have a review in 12 months time, that the provision for

amendment in the Management Statement related to the whole document and that the document could be placed on the AFBI Intranet. Dr McIlroy noted the DARD acceptance of review of the document as a key point.

2.2 Media

Mr Dolan advised that Board members had been added to the distribution list for press releases and they should now be receiving material. In a brief discussion the Board expressed its appreciation of the amount and quality of AFBI material being published in the press.

2.3 Resignation of Board Member

Mr Hogan confirmed the resignation of Mr Jim Stewart from the Board due to the pressure of his other commitments following his appointment as Chair of the Northern Health Trust. He had written to Mr Stewart regretfully accepting his resignation. It is not possible to get a replacement from the initial public appointment process for the Board. However, in the circumstances where we have a fully functioning and active Board and bearing in mind the cost of running a competition for a single appointment, it has been decided to delay filling the vacancy until the next appointments process for members whose two-year term of office ends in March 2008. This process should commence in November this year. Mr Hogan, on behalf of the Board, thanked Mr Stewart for his excellent contribution to the work of the Board. Dr McIlroy expressed his regret at losing the experience and skills brought to the Board by Mr Stewart.

3. Report from the Chief Executive's Office

3.1 AFBI Contracts

3.1.1 Mr Dolan, in the absence of Dr Boyd, presented 3 slides detailing the numbers and expected income from AFBI contracts. These covered Commercial Contracts (25 with a value of £2.1m), EU Contracts (11 with a value of £3.2m) and Non-EU Public Contracts (14 with a value of £1.7m). In total this represented 50 contracts with a total value of £7m over the period up to 2010-2011.

3.1.2 A number of points were made in discussion:

- Charging would be based on full cost recovery, i.e. £7m will be spent in delivering the service although a review of full cost charging under the AFBI structure is underway.
- A system of monitoring and managing costs is essential to ensure that charging meets the full cost. AFBI has commissioned a contract costing system to do this and is also actively engaged with the NICS – wide Account NI project.

- Treasury guidelines forbid the cross subsidisation of services, therefore full cost recovery is essential.
- The objective of doubling contract income in the longer term is achievable but will require a planned process to ensure all aspects of AFBI's business are maintained.
- The issue is not just about achieving the projected £7m income but is also about building the capacity in AFBI to create the opportunities to maximise income.
- The Board will wish to see that there is no financial loss in contract undertakings. An important element in the process will be to ensure accurate time recording by AFBI staff.

4. Report from the Business Support Unit

4.1 Risk Management

4.1.1 Mr Dolan said that there were no new risks or significant movements in risks to report to the Board. In relation to staff shortages, the arrangements for G6 recruitment had been forwarded to TUS. The aim is to complete the recruitment of the senior management structure of AFBI by May 2007 and remove the temporary promotions currently in force.

4.1.2 A Risk Management Workshop, facilitated by the Internal Auditors, will be held on 5 March 2007. This will involve SMT and Heads of Branches and will allow problems at operational level to be aired. The workshop will aim to develop a new Corporate Risk Register for AFBI which will let participants see how the Branch risks can inform the process to the top level of governance. In a brief discussion, the involvement of Internal Audit in the workshop and the Executive's proactive and professional approach to risk management were welcomed.

4.2 Pension Matters

4.2.1 Mr Dolan reported on the latest developments. NILGOSC has provided an actuarial report to comply with FRS17 accounting requirements. This indicates that the potential shortfall in the pension fund will be less than the £3m in its previous report. However, a precise figure will not be clear until an actuarial assessment is provided by the NILGOSC actuary and subsequently interpreted by the Government Actuary Department (GAD). The outcome of this exercise will be twofold. Hopefully the ARINI Accountants will be able to sign off the 2005-06 ARINI accounts without any qualification. Secondly, by establishing the quantum of any contribution required by the NILGOSC fund a business case can be presented to DARD for consideration.

- 4.2.2 The latest legal advice did not provide a clear direction on the question of liability. As explained by AFBI's legal advisers the situation is not a simple clear cut exercise. For instance, whilst DARD created AFBI and terminated the NILGOSC pensions of former ARINI staff, the former ARINI staff were immediately enrolled in the PCSPS(NI) – a scheme with purportedly higher benefits than NILGOSC. Although there were statements that ARINI staff would move to the new body with “no detriment” to terms and conditions of service, pension rights do not normally fall under T&Cs of employment and are normally excluded from the TUPE regulations. Whilst it might be expected that former ARINI staff should retain a pension provision at least equal to what they would have received had AFBI not been created it can be argued that their deferred NILGOSC pension and their NICS pension does just that. The other aspect is the claim by NILGOSC for a cessation penalty due to the transfer of the former ARINI staff to the PCSPS(NI). In the absence of an admission agreement this penalty might not be enforceable and a transfer value based upon the cumulative value of the individuals funds could negate the claim for this cessation penalty by NILGOSC. In conclusion the legal advice is that a clear designation of liability is not apparent.
- 4.2.3 In discussion it was clarified that some 46 persons in Hillsborough were affected by the pensions issue. Communication with these staff has been mainly through correspondence initiated by TUS or public representatives. A meeting with the staff at Hillsborough was held early in the establishment of AFBI but with the complexity of the issues and the slow process in receiving actuarial assessments since then little information had been passed to the staff at Hillsborough. It was acknowledged that it was essential to keep affected staff informed of what is happening. However, any message going out must be clear and accurate, even if all the answers were not available, and should indicate a timescale for resolution of the issue. Unreasonable expectations should not be created.
- 4.2.4 Meeting with Hillsborough staff also raised the issue of dealing with individual circumstances in isolation from the issues of valuation and liability. This approach could not be easily managed and AFBI was in no position to give advice to individuals or to discuss the pensions of individual employees. Similarly, GAD had been asked to provide scenarios to staff but could not do so until the central question of liability was clarified. Also, GAD could not be involved in giving advice to individuals. Only a professional independent financial adviser could provide advice to individual staff at Hillsborough and AFBI's role is completely constrained to establishing the actuarial assessment from NILGOSC and then presenting a case to DARD to consider if the department will cover any liability in funding should such a liability occur.

4.2.5 The Board noted the difficulties and complications in the pensions issue and supported the Executive in its efforts and actions to resolve the matter. The Board recorded its strong determination to push for as speedy a resolution as possible. It was agreed that Senior AFBI staff should visit Hillsborough to update staff on the position, to take questions and to reinforce the Board's determination to resolve the issue.

4.3 **VAT**

4.3.1 Mr Dolan reported that the BSU was in the process of reassessing the scale of its output VAT liability and defining the recoverable input VAT. For monitoring purposes we are holding to a potential VAT expenditure of £1.754m but it is hoped that the final outturn will remain within the VAT budget of £1.604m.

4.3.2 In discussion on the handling of this VAT issue and other matters in the meeting with the DARD Permanent Secretary on 21 December 2006, it was agreed that the Chief Executive would write to DARD expressing the Board's wish to see a record of the meeting.

4.4 **Finance**

4.4.1 Mr Dolan presented the Finance tables which had been circulated to members prior to the meeting. The 2006-07 table showed a potential overall shortfall of £173k for the year. It is hoped, however, to reduce this by £150k in the final analysis on VAT and it would then be possible to contain the remaining £23k.

4.4.2 The 2007-08 table indicated a potential surplus of £507k Admin expenditure for the year if all income targets are met. However, this assumed a forecast expenditure based on the 2006-07 outturn which included a number of vacancies. The £507k will be used to fill vacancies in 2007-08.

4.4.3 The provision for current expenditure indicated a potential deficit of £1m arising from waste disposal costs and additional consumables spend. In the past these costs were met from in-year monitoring bids but in the absence of such bids could only be met by AFBI not filling vacancies, for a second year running, and reducing resource spend with an inevitable reduction in service delivery. Mr Dolan said that he would be meeting Heads of Branches to discuss the 2007-08 budgets and one issue will be to give a higher priority to income targets in the Business Plan.

4.4.4 In discussion, the points were made that the prioritising of posts would be driven by the priorities in the Strategic Plan and that the Board needed to work with the Senior Team to understand and develop AFBI's priorities and strategies. This process also needed to identify the strengths and weaknesses of AFBI and a related marketing

strategy to develop AFBI's weaknesses and take advantage of its strengths. It was agreed that the Business Plan for 2007-08 should be brought to the March meeting.

5. Audit Committee – Report on 23 January 2007 meeting

- 5.1 Dr Hollywood referred members to the draft minutes of the Audit Committee meeting held on 23 January 2007 and his note to the Board. He highlighted a number of points. The position of the Audit Committee was greatly strengthened by the professional support and the evidence based assurances now provided by the Internal Auditors. He referred to their 3 year strategy and work programme which was clear and well presented and to the progress already made on planned reviews and follow up work on previous audits. The Board should also note that the pensions and VAT issues required ongoing attention and the Executive team were to be complimented for their work on risk management strategy and systems.
- 5.2 In response to a question about a comment in his note about the need to continue work on debt management, Dr Hollywood explained that the Auditors had described this issue as a work in progress. There is a need to reduce the debt as far as possible and to have workable debt management arrangements in place. The Audit Committee will look again at this issue at its next meeting.
- 5.3 The Board noted the report from the Audit Committee and welcomed the work undertaken and the assurances to the Board.

6. Remuneration Committee

- 6.1 On a proposal by Mr Rankin, seconded by Professor Mulcahy the Board approved the establishment of a Remuneration Committee for AFBI. Mr Hogan had asked Professor McDowell to Chair the Committee. Professor McDowell confirmed the other members as Dr Kennedy and Mr Campbell.
- 6.2 Professor McDowell thanked the Board Chairperson and Chief Executive for arranging the Secretariat for the Committee (Manus McGuinness and Margaret Bittle). He set out the broad terms and objectives of the Committee in relation to its first task of reviewing and recommending a Rewards to Staff Scheme and, subsequently, a Special Bonus Scheme for AFBI as follows:
- To provide the Board with reassurance that the scheme is fair, motivational, worthwhile for staff, managers and the organisation and that it has the correct balance of flexibility and objectivity. This will address issues concerning gross and net receipts and grant in aid.

- To liaise with the Audit Committee and Internal Auditors as appropriate in providing advice to the Board.
- To provide a scheme which will allow AFBI to compete effectively with the private sector and universities in attracting and retaining the best staff.
- In line with AFBI's changing commercial environment and objectives, to ensure that the scheme is relevant, available and workable across the organisation, that it reflects both new IPR and the effective use of existing resources and that it recognises individuals and groups who make a significant contribution to advancing core AFBI/DARD strategy.

6.3 Professor McDowell said that the Committee would wish to examine the success of other schemes in, for example, BBSRC, MOD and universities and the outcome of pilot reviews of existing contracts within AFBI. He considered that the draft document prepared by the Business Support Unit was a very useful starting point in developing and presenting a scheme to the Board. He already had initial comments on this from the other Committee members and he hoped to arrange the first meeting of the Committee within the next few weeks.

7. Any Other Business

7.1 Open Meeting of the Board

The Board agreed that, in accordance with its Terms of Reference, the Board meeting in March should be an open meeting. This will need to be publicised in the press and other appropriate locations and it may be a good opportunity to brief the press on AFBI's work.

7.2 Assembly Elections

Mr Dolan referred members to the provisions in the NI Assembly Disqualifications Act 1975 that they are disqualified from standing in the forthcoming Assembly Elections unless they resign their current posts. The Secretariat had issued a note on this to members on 9 February 2007.

8. Date of the next meeting

The next meeting of the Board will be held at 10.00 am on Wednesday 21 March 2007 at AFBI Newforge. This will be followed by the open meeting.

Note:

Subsequent to the February Board meeting, and following discussions, it was decided to postpone the open meeting until August/September when the first year accounts and annual report would be available and could be presented.

Signed:

(Chairperson)

Date:
