



Minutes of the Meeting of the Agri-Food and Biosciences Institute (AFBI) Board
held at
AFBI Stormont (Veterinary Sciences Division), Belfast
on Wednesday 17 January 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

In Attendance:

Dr George McIlroy, Chief Executive Officer
Dr Robin Boyd, Head of Chief Executive's Office
Mr Stephen Dolan, Head of Business Support Unit
Mr Manus McGuinness (Secretary)

Apologies:

Mr Jim Stewart
Mr Michael Walker

Mr Hogan, in welcoming members to the first meeting of 2007, reflected on an eventful 2006 with the establishment of AFBI and its development into a fully functioning organisation. He looked forward to the New Year in which the Board would be working to consolidate and advance the Institute's corporate goals.

1. Minutes of the meeting held on 20 December 2006

On a proposal by Mr Campbell, seconded by Mr Noble the minutes of the meeting held on 20 December 2006 were agreed.

2. Matters arising

2.1 Meeting with DARD Permanent Secretary.

- 2.1.1 Dr McIlroy and Mr Hogan reported on the main issues at their meeting with Mr Pat Toal on 21 December 2006. Both sides had been accompanied by senior officials.

VAT – The Board's position that the VAT deficit was one for DARD/DFP to resolve was accepted in principle. DARD accepted the arguments that the VAT issue placed AFBI at a considerable disadvantage in managing its business and that continuation of this year's uncertainty into subsequent years could make the Institute commercially uncompetitive.

PENSIONS – DARD noted AFBI's actions in pursuing the question of legal liability with the AFBI legal team and the quantification of any potential liability with the NILGOSC actuaries. DARD awaited the responses of the relevant professional consultees and supported AFBI's aim to resolve the issues in this financial year.

Rewards to Staff Scheme – DARD indicated its support in principle for a scheme in AFBI to implement existing Government policy in GB.

Grant-in-Aid Letter – the need for an annual grant-in-aid letter to AFBI was accepted in principle.

- 2.1.2 Dr McIlroy referred to the ongoing relationship with the Sponsor Branch as a forum for continuity in dealing with issues. Mr Hogan was satisfied that the established process of communicating through the Sponsor Branch was a methodical, robust and constructive one for both sides. He felt that the meeting with DARD had given the AFBI representatives the opportunity to show how far the Institute and the Board had come in their planning and delivery of AFBI business. It is planned to hold further meetings twice a year. The next meeting is scheduled for May/June and Mr Hogan hopes to meet Mr Toal before his retirement. These arrangements do not circumvent particular issues being raised as necessary. In supporting Mr Hogan's comments, Dr McIlroy commended the Board for its ongoing support of these important issues.

2.2 Meeting with REAP

- 2.2.1 Dr McIlroy updated members on developments. An offer had been made to REAP Secretariat to hold its February meeting at Newforge. This could then link in with the Board meeting on the same day, in a formal session and informally over lunch. The initial response was very enthusiastic and a formal response was awaited. The Board welcomed this development and agreed a broad format for the event where both sides would make a presentation on their roles and activities and would consider arrangements for future meetings and relationships. The arrangements could be formalised at a later meeting.

2.2.2 In discussion it was explained that REAP are an independent advisory group who have the freedom to engage widely. An important objective in the relationship with REAP is to clarify how AFBI can have an input into DARD policy. This contact with REAP is timely as DARD are currently consulting on their research strategy. It is important for AFBI, as a main DARD contractor, to have an input. The AFBI Executive have already taken part in a seminar as part of the consultation.

2.3 **Management Statement and Financial Memorandum**

Dr Boyd reported that the agreed document was being signed by the Board Chairperson and Chief Executive and would shortly be sent to DARD. The points raised at the December Board meeting would be raised in the covering letter to DARD.

3. **Report from the Chief Executive's Office**

3.1 Dr Boyd outlined a range of activities and developments in his area of responsibility -

Contracts – the contracts database was still being developed. This will include contracts arranged by ARINI before April 2006. It is planned to group contracts for ease of reference in presentation of the database. Standard contracts with small organisations are being developed to assist them in commissioning work from AFBI. A summary will be brought to the Board and it is hoped to provide some detail of contracts and income before the meeting with REAP.

Overseas Work – following his recent visit to the Punjab, a report was being finalised. India is keen to press ahead with work and to establish agri-products in the region. Arising from AFBI membership of the British Agri-Food Consortium there may be potential for work in Mauritius and Argentina.

EC Framework 7 – there is an opportunity for funding from this programme. This involves collaboration with other institutions (e.g. universities), EC funding of 75% and DARD funding of 25%. The point was made that timing of the DARD 25% was critical and there may need to be a protocol in place to guarantee this. Dr McIlroy said that, as Chief Executive, if an application is made and fits the DARD requirements, he will underpin and sign off the work. A point was made that the DARD research strategy should take cognisance of Framework 7.

MOU – the Memorandum of Understanding with Queen's University is in place and that for the University of Ulster is nearing completion. A point of detail about studentships and bench fees has arisen.

Media – preparation of AFBI's first annual report is a priority over the coming months. In discussion on how the Board members could have

access to the significant press reports on AFBI activities, it was agreed that the best approach would be to add members' names to the distribution lists for press releases.

4. Report from the Business Support Unit

4.1 Reward and Recognition Proposals

Mr Dolan reported that, as discussed at the last meeting, the Reward and Recognition proposals had been split into separate papers for the two schemes – the Rewards to Staff Scheme and the Special Bonus Scheme. These will come back to the Board through the Remuneration Committee, with the Rewards to Staff Scheme to be considered first.

4.2 Risk Management

4.2.1 Mr Dolan said that there were no new risks or significant movements in the Risk Register to report to the Board. In a review of their Risk Registers, Divisional Heads had highlighted staff shortage and skills as risks to implementing AFBI and its policies with the result that the level of these risks had been raised. The Corporate Risk Register will be presented to the Audit Committee at its meeting on 23 January 2007.

4.2.2 In response to a question about the recent foot and mouth scare, Dr Boyd explained that AFBI had reacted appropriately when notified by DEFRA and had activated its contingency arrangements. The results of tests had been negative and DARD were quickly able to remove restrictions.

4.3 Pension Matters

4.3.1 Mr Dolan said that he was in discussion with the AFBI legal advisers on the issues. He will be in a position to report the legal advice at the next Board meeting. Dr McIlroy, in stressing the need to move this matter forward urgently, pointed to the DARD liability in this matter and to the potential for unjustified criticism of the Board.

4.3.2 Following discussion, the Board reiterated the need to find a resolution to the Pensions issue and gave its continuing support to Senior Management in its efforts to move the matter forward. The Board noted that, while provision to meet the deficit in the NILGOSC pension fund had been made in the ARINI accounts, payment would be made by DARD.

4.4 VAT

Mr Dolan reported that the most recent examination of the VAT figures by the Deloitte consultant indicated that the liability would be reduced and AFBI should be within the VAT provision of £1.604m for the current

financial year. Further work will be undertaken to develop a VAT management strategy for the future. Dr McIlroy welcomed these developments. He was concerned, however, that in-year allocation of easement to meet inescapable VAT costs was not an efficient way to manage AFBI business. The provision of £1.2m for VAT in the AFBI baseline has established the principle that funding is a DARD/DFP liability.

4.5 Finance

4.5.1 Mr Dolan presented the Finance table which had been circulated to members prior to the meeting. This showed no change on the December position, i.e. a projected deficit of £650k. In drawing attention to the £7.7m for DARD lease and service charges, Mr Dolan expressed some concern about the level of maintenance charges and he would be meeting with DARD to explore the figures. Further details of the items in this budget area will be provided at the next Board meeting. In the capital budget, bids have been received from Divisions against the equipment provision of £1.620m. Looking ahead to 2007-08, a baseline provision of some £33m is available but this does not include funds for the lease and other ring-fenced funding from EREF and the Science and Skills fund. The expected 2006-07 total outturn including notionals is £43m and the 2007-08 budget is roughly the same. With increases in staff costs and the loss of Vision funding AFBI will have to absorb pressures of £900k and £500k respectively. Alongside this the practice of Animal Health funding testing kits as in year bids presents AFBI with an additional potential pressure of £400k.

4.5.2 In response to a point raised, Mr Dolan explained that the ring fenced items in the table had to be reported on separately to Sponsor Branch and any savings on these could not be used to meet pressures in other areas. He also confirmed that the significant increase in overheads for new buildings on the VSD site would account for the underspend on the current budget.

4.5.3 In discussion, the issue of AFBI's ability and flexibility to undertake additional work for DARD at short notice and to cope with fluctuating demands was raised. AFBI management is confident that there is the flexibility to manage these situations, although there was some concern at branch level. The funding process gives AFBI core funding to meet all the current demands from DARD. Additional resources would have to be provided to meet demands for additional work as the 2007-08 budget indicates AFBI will face efficiency savings of £1.4m. In principle, our relationship with DARD is one of offering to react to work needed on the basis that the necessary resources are provided.

4.6 Business Planning

Mr Dolan advised the Board that business planning workshops for the 2007-08 Plan are being held for appropriate staff. The planning

process will address issues such as review of the 2006-07 Plan, budget provision, linkages to DARD, Board objectives and performance measurement indicators in terms of service delivery.

4.7 Accounts Preparation

Mr Dolan reported on current work to prepare the first accounts for AFBI. A seconded accountant has prepared a pro-forma template for the accounts which has identified the figures needed, their source and the current gaps. Preparation of the accounts is a complex exercise with many issues in terms of balances carried over from DARD to be resolved in conjunction with the DARD Finance Branch. The next stage is to clarify if we can produce the figures in the appropriate formats and agree a client liaison schedule with the NIAO.

5. Any Other Business

5.1 Venues for Future Board Meetings

5.1.1 Mr Hogan explained that the Board had visited most of the AFBI sites for its meetings which it would continue to do periodically. Although Omagh and Bushmills were perhaps not suitable to host a meeting, arrangements could still be made to visit these sites, for example a meeting in Loughgall followed by a visit to Omagh or a Board away day which could take in a tour of Bushmills. He welcomed any suggestions from members.

5.1.2 Mr Hogan advised members that the AFBI Terms of Reference requires that at least one meeting of the Institute per year should be held as an open public meeting and should be advertised as such. He suggested that the March meeting, which is the end of the Institute's first year in operation, would be a suitable occasion for a public meeting. Newforge could accommodate the meeting. The Chairperson, Deputy Chairperson and Senior Management Team will consider the agenda for the meeting. In future years, September/October would be an appropriate time for an open meeting when the Institute could present its Annual Report for the previous year.

5.2 Resignation of Board Member

Mr Hogan informed the Board that he had received a notice of resignation from Mr Jim Stewart. Due to his commitments following his appointment as Chair of the new Northern Health Trust, Mr Stewart was unable to commit to attending AFBI Board meetings. This situation was unlikely to improve and he had offered his resignation. Mr Stewart had brought valuable commercial experience to the Board and his resignation had been regretfully accepted. Mr Hogan said that he had already spoken to the DARD Permanent Secretary about the process for appointing a replacement. The

possibility of taking someone with commercial experience from the list of suitable candidates drawn up when the Board was first appointed less than a year ago would be explored.

5.3 Organisation Chart

Mr Hogan asked members to note the AFBI Organisation Chart which had been revised to show where the Board sits in the organisation as requested at the last meeting.

6. Date of the next meeting

The next meeting will be held at 10.00 am on Wednesday 21 February 2007 at AFBI Newforge.

Signed: _____
(Chairperson)

Date: _____